THE MAGAZINE OF WALL STREET

MONTHLY 25c.

MAY, 1912

BY THE YEAR $3.00 IN ADVANCE

THE TICKER PUBLISHING COMPANY
U. S. EXPRESS BUILDING, 2 RECTOR STREET
NEW YORK

VOL. 10

No. 1.

Contents for May, 1912

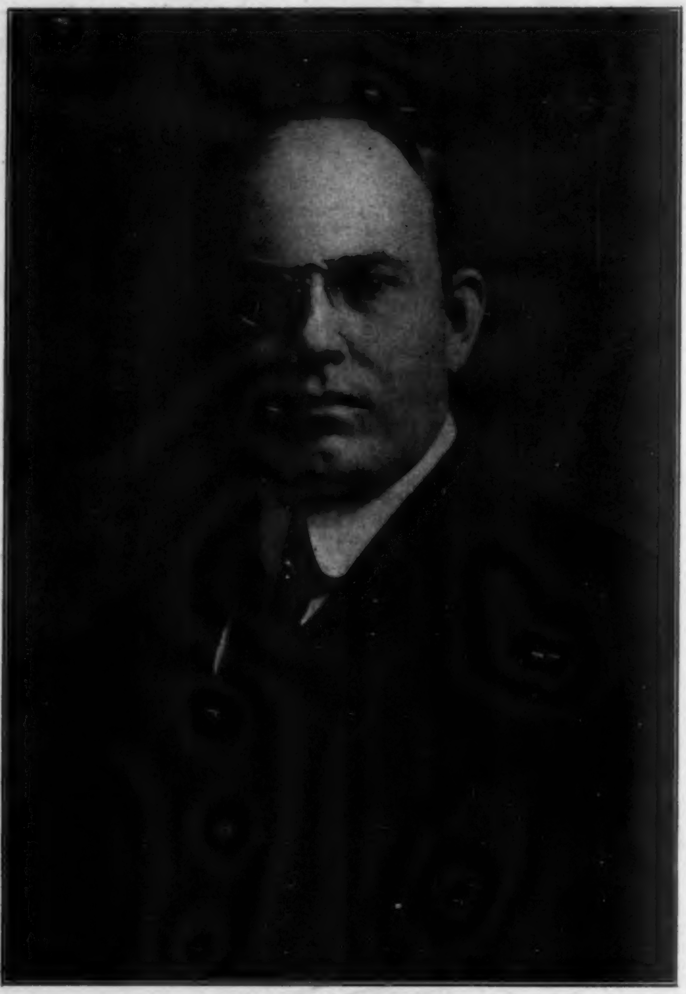
SINGLE COPIES.—The Magazine of Wall Street is on sale at bookstores and on news-stands throughout the United States and Canada. Price 25 cents per copy. If your newsdealer is not supplied, place a standing order with him and he will get copies for you regularly; but subscribers' copies are mailed two or three days before news-stand copies are delivered to the American News Co., New York, for distribution throughout the country.

SUBSCRIPTION PRICE, $3.00 a year in advance. Foreign subscribers please send international money order or U. S. currency. Foreign postage 50 cents extra.

TO CHANGE ADDRESS.—Write us name and old address in full, new address in full and get the notice to us before the 15th of the month prior to the issue you desire sent to the new address, otherwise your copies will be sent to old address and you may lose some copies. We cannot be responsible for copies so lost or not forwarded.

THE TICKER PUBLISHING COMPANY

2 RECTOR STREET - - - - NEW YORK



WM. B. THOMPSON

President Inspiration Consolidated Copper Co. and Mason Valley Mines Co.
Director Utah Copper Co.

THE MAGAZINE OF WALL STREET
(FORMERLY THE TICKER AND INVESTMENT DIGEST)

INVESTMENT: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.
SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes.

Vol. 10 MAY, 1912 No. 1

Building Your Future Income

By RICHARD D. WYCKOFF

I.—The Low-Priced Stocks

ARE you looking for present or *future* income?

Do you want five or six per cent. on your money now? If so, it is an easy matter to select high-grade railroads and industrials with a long and continuous record as dividend payers. There are also guaranteed stocks, and stocks which have recently come into their own and are now considered high-grade.

But you must bear in mind that the issues in the class with Norfolk & Western, while containing intrinsic worth and earning power which will doubtless result in larger dividends in the future, have, to a great degree, discounted their present and future earning power.

I remember very well when, fifteen years ago, Norfolk & Western common sold at $9 a share. At that time it gave little or no indication that it would one day pay $6 per share per annum in dividends. Three years later, when the stock was selling around 23, the road began to evince signs of future prosperity. I recall bringing this to the attention of my clients, some of whom purchased considerable amounts, and when last heard from, were still holding it.

As nearly as I can recollect, the company was then earning three or four per cent. on the common. In 1901 it paid its first dividend—two per cent. In 1902 I went over the road, called at the company's office in Roanoke, Virginia, interviewed several of the high officials and was talking with President L. E. Johnson, at that time comptroller of the road, when a clerk handed him some figures on a sheet of paper.

"There," said Mr. Johnson, "is the best quarterly statement this road has ever made." He told me what I had seen with my own eyes—that money was being poured back into the property. Heavy engines; the largest size coal cars; cracked stone ballast—a roadbed such as you would see on the Pennsylvania between here and Philadelphia.

"Great possibilities in this road,"

said Mr. Johnson. And no one who knew the facts could fail to agree with him.

In 1903 Norfolk & Western paid three per cent. By 1907 it was paying five per cent., and in December, 1911, its first dividend at a six per cent. rate was distributed.

All of this you will say is history. Agreed. But we must, to a certain extent, employ history in forecasting the future. And what has happened in Norfolk & Western will happen to other companies in the next ten or fifteen years, provided they are soundly managed.

Suppose in 1897 you, as a man of thirty-five, had decided that you would so adjust your business affairs and arrange your investments as to enable you to retire at the age of fifty, and with this idea in view, you had set apart a certain amount of money for the purchase of stock which should *at that future time* pay a very large return on *present* cost. And suppose during that year of 1897 the amount available for such purpose had been $900, with which you had purchased 100 Norfolk & Western common. To be sure you would have carried this stock for four years without deriving any income, but four years at six per cent. on $900 would have added only $2 per share to the cost, bringing it up to $11. You would *now* be receiving $600 per annum on your $900 investment, or over fifty per cent. per annum on cost, plus interest!

Five such investments made under similar circumstances and yielding like results would be giving you today an income of $3,000 from an investment of $5,000 or $6,000 fifteen years ago. The value of your principal would also have increased to $55,000.

But it is future *income*, and not the future value of your principal, which is the most vital consideration to a man who is getting along in years, with children to raise and old age to provide for. So why not start now and put aside, each year, a certain amount of money which can be spared from your business, these funds to be devoted solely to investment *for future income;* to provide for your independence ten or fifteen years hence and to insure your children against having to take care of you in your declining years?

With this purpose in view, what stocks can be bought now with a reasonable certainty that in the 1920's a very large income, speaking proportionately, will result?

In selecting such securities, we must take a very long look ahead. Circumstances governing such a selection are entirely different from those which apply to the choice of a stock for its present yield.

Looking over financial history since the panic of 1893 to 1896, we find that some enormous fortunes have been built up by the application of the long-look-ahead principle. The Harriman fortune is one of these. If we choose to go farther back, we find that the basis of the Vanderbilt fortune was the same—buying stocks which were then considered more or less worthless, but which should some day represent great value. New York Central, Lake Shore, and New York & Harlem were, in the early days of railroading, selling down in the single figures, and it was the future possibilities in these properties (not the then present conditions) which induced the old Commodore to load up.

What properties are now in the hands of receivers or about to be placed in that position? We can find only a very few. At this writing, Allis-Chalmers, selling below $2 per share, is about to be assessed $10 per share, and the Wabash, the Wheeling & Lake Erie, and the Wabash-Pittsburgh Terminal properties are still struggling with the involved problem of their reorganization. It is an old Wall Street saying "that it doesn't pay to buy into a law suit." This applies strongly to the Wabash securities at present. But the outcome of this legal tangle will be a new company with working capital, equipment and financial provisions for its future, sufficient to insure stability of earning power.

We have frequently pointed out in these columns that it is time to buy bankrupt stocks when assessments are to be paid. And the lower a stock goes prior to the assessment, the more at-

tractive a purchase it becomes. New securities of increasing value are usually given to those who pay the assessments, and the old equity is represented by new common stock, which, as a rule, also becomes valuable.

We should therefore say that an opportunity will be afforded to subscribe for new Wabash securities, which, from the standpoint of the future, should reward the investor. All of this provided the management of the new company is in the hands of others beside Mr. Gould, whose record as a railroad magnate is not such as to insure success.

When you buy a bankrupt stock at $1 or $2 a share, it is a purchase of a small interest in the good will, right-of-way, inventory, equipment, etc., in a property at that price. When you pay an assessment of $10 or $20 a share, you are contributing your proportion of the capital necessary to put a new company on its feet. Hence, no attention should be paid to the past record, but every consideration must be given to the character of the new management and the circumstances under which the corporation will conduct its business.

I should say, therefore, that when Wabash is reorganized and put into other hands, it will probably pay a handsome return on an investment made in its securities at the above described juncture.

The Allis-Chalmers situation is actual and can therefore be considered on the basis of the facts in the case. This company has for many years struggled to conduct a large business without sufficient working capital. Its profit from operations during recent years has run in the neighborhood of $2,500,000. Its business is the manufacture of machinery, steam and gas engines, steam and hydraulic turbines, mining machinery, rock and ore breakers, cement, saw mill and electrical apparatus of all kinds, and was formerly conducted by several large individual corporations. It manufactures, among other things, the well-known Corliss steam engines and it controls the Bullock Electrical Company, which manufactures electrical machinery. Many of its patents are extremely valuable, and its difficulty has not been in securing business, but in handling and financing it. Its plants are equipped for a capacity fifty per cent. in excess of its output during the past few years, so that more working capital is the chief requisite to the future success of the company. It is probable that insiders recognized the real earning power of the corporation, with the result that the company is to be placed in a receiver's hands, the preferred stock assessed $20 per share and the common stock $10 per share.

The key to the whole situation is: Who holds the securities? If we may judge by appearances, the right people hold the bonds, and as a bondholder is a creditor and a stockholder merely a partner in an enterprise, the stockholders were required to furnish the additional capital. This situation has produced what appears to be (March 30, 1912) an attractive opportunity for the man who wishes to buy securities for their future income.

The common stock sold today at less than $2 per share and the preferred at less than $5 per share. The low prices touched during the whole downward movement, which constituted a squeezing out process of the small stockholders, were: common, ½; preferred, 3¼.

A few days after the low prices were touched, the company issued a statement showing its financial condition on December 31, 1911, as given in table herewith. It was also announced that the underwriters of the company's securities had paid or arranged to pay the $2,600,000 floating debt.

To quote Delmer W. Call, president, "The company's patent rights, its world-wide trade relations and its organization of skilled engineers and employees are valuable assets. Average profit for 4½ years ended December 31, before interest and extraordinary adjustments, was $871,712. Recent economies are expected to save between $400,000 and $500,000 a year. Average monthly invoicing during past 4½ years was $1,221,253. An increase of 50 per cent. in this volume of business could be easily handled with present

Allis-Chalmers Statement, December 31, 1911.

Excess current assets over current liabilities	$6,397,966
Notes and accounts receivable	3,544,816
Inventories, value to a going concern	4,769,905
Cash	931,047
Liabilities, notes and accounts payable	2,560,102
Coupons, due Jan. 1	278,700

manufacturing capacity, and ought readily to double net profits."

From this it will be seen that the company will, by the proposed reorganization, be placed on its feet, with its bond issue and fixed charges eliminated, with ample working capital and with an earning power of over seven per cent. on the new preferred stock.

Suppose an investor, with an eye to the future, has $1,200 which he can this year devote to a security of the class mentioned. He could buy: 100 shares of Allis-Chalmers common at 1⅞ plus commission, $200, and pay the assessment—$1 per share—on or before May 1, 1912, and the balance of $9 on or after October 1, 1912, as called, $1,000; total, $1,200.

In exchange for his 100 shares of old stock, with the assessment paid, he will receive 10 shares of new preferred, which is to be cumulative at the rate of 5 per cent. from January 1, 1913; 6 per cent. from January 1, 1915; 7 per cent. from January 1, 1917; but will be entitled to 7 per cent. from the beginning in case it is earned.

Under the circumstances it is reasonable to suppose that within the next several years the full 7 per cent. will be paid on Allis-Chalmers new preferred. As these 7 per cent. industrial stocks become "seasoned," they sell around or above par. Thus, in the course of time, the value of the preferred stock so received would offset the payment of the $1,000 assessment.

The holder of 100 shares of old common stock also receives 35 shares of new common stock, which, by the above process, would eventually cost him nothing.

Applying the long-look-ahead idea to this company, which in a portion of its business occupies the same field as General Electric and Westinghouse, both of which have undergone reorganization, it would appear that the common stock has an excellent chance of becoming valuable ten to fifteen years hence. Of course, no one can foresee all the circumstances which may arise to prevent a satisfactory outcome of this investment; but history shows that after reorganization American railroad and industrial corporations, when properly financed and soundly managed, have proved satisfactory investments in most cases. With holdings properly distributed, the possible loss on unfortunate investments should be far more than offset by the profits on those which turn out right.

A recent illustration of the plan herein suggested, is found in American Can, which, in September, 1911, sold at 9, and in April, 1912 (seven months later), sold above 35—a rise of nearly 300 per cent.

Any one who studied this company's recent statement would have become aware that its properties were being placed in excellent physical condition, and the time would not be far distant when back dividends on the preferred would be made up and a surplus earned or paid on the common.

Even while the stock was selling between 10 and 12 (and doubtless being accumulated by insiders) Wall Street knew that, allowing for money put back into the property, something like 13 per cent. was being shown on the preferred stock. As one insider put it. "The Street not only does not believe, but it cannot read" (referring to the official statement which had been published).

The greatest advances in the prices of stocks generally take place when they are emerging into the ranks of dividend payers or possible dividend payers. In most cases, these spectacular changes are accomplished more gradually, but in American Can it was a matter of only a few months. It is now claimed that the company can pay off its cumulative preferred dividends gradually, and that present earnings are equal to 6 per cent. or 8 per cent. on the common.

(*To be continued.*)

Chats on Grain and Provisions

By E. W. WAGNER, of the Chicago Board of Trade

INFORMATION in the crop world is invaluable. You must *know*.

The U. S. grain raiser is slow to hedge (buy or sell against his crop prospects). Yet of all investors he should be the most keen—the most carefully posted.

To feel what may be termed "the atmosphere," the spirit of any market, you must follow it from day to day. Never judge a situation by occasional glimpses.

A Hoosier wandered into my office the other day. From his dress he might have been country lawyer, hardware man or grain dealer. This man watched the 1911 corn crop from May seeding to marketing and March reserves. He studied the quality of the corn. He secured reports on elevator reserves after crop marketing was completed. He verified the emptiness of elevators by "tripping" around a large section of the corn belt elevator territory.

When he gave an order to buy corn at 68 cents on a bulge that covered several bulges—he startled the brokerage office.

Yet as he said subsequently—"They were bearish—they *thought* they knew—but I *knew* I knew. My information was acquired personally."

He added—"I have held to corn—specialized in corn. I want to know corn."

The moral is plain. Become a Crop Pantagruel (mental giant).

The first signs of a crop disaster produce little effect on prices. The grain may even decline. Reports thicken and the affected area spreads. The market then stiffens. A week may pass. Occasionally, it may take two weeks or more to work up a real bull market.

To get going:—First bad reports on the April, 1912, bull wheat market appeared around March 20, but the pit only became a speculative blaze around April 9.

In this case the world had to sit still and await growing weather on a situation one month late.

In the past fifteen months, the particular weather pest that destroys wheat has enjoyed a world tour. He flitted through the extreme Southwest with his torch, burning up the wheat in early 1911—then breathed fiery furnace breaths on the Northwest.

He left Canada with a record crop of low-grade wheat—the future use of which can hardly be prophesied.

Pausing in Russia, he scattered wheat death and famine and then on to Argentina where he waved a Moses rod and conjured endless rain that beat down the wheat stalk.

Political excitement must have called him to the Central West of North America, where with hardly time to take even a manicure—after his Argentine slaughter—he hung up a BUSY DAY sign and started in for a winter-kill of immense proportions.

After drought and rain as his pestilential farm playthings, he idly turned to the frost faucet and turned on Zero.

The Central West damage saves wheat from the 90-cent level, suggests $1 as a low level and hints at the $1.10 to $1.15 levels.

It revives fears of another collapse in the spring wheat crop raising and reminds us that we only raise three record spring wheat crops every decade.

The 1911 corn situation in the U. S. is beyond the forecasting stage.

Aggregate feedstuff supplies on farms are about smallest in twenty-five years.

Ask your dairy man if there is any money in milk.

Oats promise to sell much higher.

Barley and hay are nearer exhaustion points than in history.

The 1912 corn crop will be seeded with the most questionable seed in years.

Scarcity of feeds means decreased hog and cattle feeding and breeding.

It is useless to inquire into high cost of your bacon and your choice cut mutton chop and sirloin—as the price will remain high on live stock supply conditions.

Feature of the winter-kill in wheat throughout the Middle West is its utter destruction. Wiped out—frozen to death—where the below zero temperatures withered the roots and top growth.

Much of the crop was seeded in wet soil which defeated the planting machine. To obtain best results, the seed should be pressed in four inches. Deep drilling means a strong root.

April 15, 1912.

What is Steel Common Worth?

How the Value of This Popular Stock May be Calculated from Assets and Earnings.

YOU will be told, in Wall Street, that Steel common is easily worth par and will sell at 150 on the next wave of active business. You will also be told that it isn't worth 50 and that even that value depends upon a Government concession which may be withdrawn at any moment—the tariff. Both these exceedingly contradictory statements will be made to you by successful investors—men commonly accounted of sound judgment and well informed.

Is there any way of estimating with approximate correctness what Steel common is really worth? The question interests, probably, a greater number of persons that any other which could be asked about the stock market. The U. S. Steel Corporation has some 200,000 employees and about 130,000 stockholders registered, and, of course, this does not include the great number of traders who are carrying the stock on margin through brokerage houses. The gross earnings of the company since its organization in 1901 have been greater than the combined deposits of all the National Banks in the country at the present time. The company operates a railway mileage of about 3,500 miles—more than enough to reach from ocean to ocean—and owns some 80 steamers and over 100 barges. Its holdings of iron ore are a billion and a half tons, even after the cancellation of the Great Northern Ore lease. Just as one side line, it turns out 10,000,000 barrels of cement annually. Its activities are so varied as to baffle complete comprehension.

At first glance it would seem impossible to analyze the business and property of so vast a corporation, doing an aggregate business equal to that of a small nation, closely enough to discover the real value of the stock; and it is likely that the difficulty of the task accounts to a great extent for the wide variation in the opinions of different investors. Yet it is entirely possible to arrive at an intelligent opinion as to a fair price for Steel common.

HOW TO VALUE A STOCK.

There are two ways of estimating the value of any stock. You can reckon up the assets of the company and see how much property each share represents, or you can figure its earning power annually and then work backwards to a fair price for the stock. As a rule, neither method can be used exclusive of the other. A company whose property is exceedingly valuable may nevertheless, for one reason or another, earn no

profits for a series of years—in which case it would be absurd to figure the stock as valueless because it isn't earning anything. The company may, in fact, be making preparations for bigger earnings than ever before.

On the other hand there are some companies—like Sears-Roebuck, for example—whose holdings of property are, as a natural result of the character of the business, small in proportion to earnings, so that a calculation of assets would be of little importance in establishing the selling price of the stock.

There is no reason why either method should not apply fairly well to U. S. Steel. First, what are the assets behind Steel common? There are two ways of getting at this. It is clear that if we knew the value of the company's property when it was organized in 1901, we could add on the accumulated surplus since that date, the total expenses for new properties and new construction, and the amount paid into sinking funds, and arrive at the present value of the company's property. This method, of course, assumes that all properties have been fully maintained and kept in repair, or else the depreciation has been properly charged off from year. This might not always be a safe assumption, but in the case of the Steel company it is undoubtedly true.

The chief trouble here lies in getting at the value of the property with which the company started business in 1901. The only practical method of doing this would be to take the market value of the stocks and bonds of all the constituent companies which were merged into U. S. Steel. This has been figured at $790,000,000. Several of these subsidiary stocks were, at that time, active speculative favorites, so that the above figure probably contained a certain additional speculative value besides the natural investment value. In round figures, therefore, we might estimate the asset value of the U. S. Steel Corporation when organized, at $750,000,000.

Value of Steel Common, Figured from Cost.

Value of original securities	$750,000,000
Surplus Dec. 31, 1911 (less $25,000,000, the surplus at date of organization)	108,691,000
New properties and construction to date	410,465,000
Sinking fund to date	61,818,000
	$1,330,974,000
Deduct par value of bonds and preferred stock	980,782,000
	$350,192,000
Asset value of $508,000,000 common stock, per share	68

APRAISED VALUE.

The other way of getting at the asset value of Steel stock would be by appraisal—an arduous and dubious undertaking. The Government has, however, attempted it in connection with the suit for the dissolution of the Steel Corporation, and finds the total investment in "tangible property" to be $1,186,982,000.

This includes only $134,000,000 for ore holdings, and there seems to be no reasonable doubt that this figure is too small. The company's present yearly production of ore is about 25,000,000 tons, and the value of this ore in the mine cannot be estimated at less than 50 cents a ton, or $12,500,000 yearly. This sum is 7 per cent. interest on $180,000,000—with ore in sight to keep up this rate of production for over half a century. It is hard to imagine a smaller value than this for U. S. Steel's ore supplies.

If we assume, then that the Government, through excess of zeal, has underestimated these ore values by at least $50,000,000, we shall get the results shown in the table herewith.

When we bear in mind that the Government's appraisal was undoubtedly a very conservative one, the results obtained by these two methods are found to agree as closely as could

Value of Steel Common, Figured from Appraisal.

Government appraisal "tangible property"	$1,186,982,000
Additional ore value	50,000,000
Additions to property 1911	49,431,000
	$1,286,413,000
Deduct par value of bonds and preferred stock	980,782,000
	$305,631,000
Appraisal value $508,000,000 common stock	60

be expected. The calculations are too rough to give any close approximation; but it seems clear that we are justified in assuming, until better and more accurate figures are furnished, that Steel common has an asset value of somewhat over $60 a share.

Next, has it an additional value created by its commanding position in the trade, partial monopoly of ore, and high earning power?

It is an open question whether the company's commanding position in the steel business has been of much value to it. Through personal and banking affiliations a good deal of railroad business goes to U. S. Steel that might not be obtained on a strictly competitive basis; but on the other hand, the independent companies have undoubtedly used the big corporation's policy of maintaining prices during dull times, as a shelter under which to get more than their share of the business by secret concessions. As a result, its proportion of the country's business is smaller today than when it was organized.

The probability is that about all the benefit U. S. Steel has derived from its monopoly power has come from its control of ore supplies and its ownership of railroads. In both these respects it has drawn the fire of the Government prosecutors, and presumably with some reason.

EARNINGS.

Coming to earning capacity, the following figures show the per cent. earned on the common stock annually since organization, and net earnings of the company per ton of steel sold each year:

	Earned on common stock.	Earned per ton of steel.
1902	10.7%	$13.25
1903	5.0	11.20
1904	1.0	8.70
1905	8.5	10.45
1906	14.4	12.00
1907	15.7	12.61
1908	4.0	12.06
1909	10.5	10.75
1910	12.3	13.14
1911	5.9	11.00
10 years' average,	8.8%	$11.52

This showing would apparently warrant dividends of six per cent. and a price of 100 for Steel common, if it were not for a number of troublesome uncertainties connected with the company's business. Those come under three heads:

First, the Government's suit for dissolution.

Second, the possibility of a very low tariff on steel products.

Third, the fact that the company has never yet passed through a period of prolonged dullness, such as that from 1893 to 1897.

In regard to the first subject, the suit for dissolution, it does not yet appear that either of the Standard Oil Company or the American Tobacco Company have been seriously injured by dissolution. On the contrary, the combined stocks of the new companies are selling higher in each case than the stock of the old company sold.

In the event of dissolution, the Steel Company would suffer less than either the Oil or the Tobacco Company. It controls a smaller proportion of the business of the country than either of

the others, and its proportion has been gradually decreasing as compared with the business of the independents. In fact, some of the critics of the company mention this as a weakness—that it is losing ground, failing to get its share of the business. In 1910 the company manufactured only 56 per cent. of the country's output of ingots, against more than 62 per cent. in 1901. This does not indicate an effective monopoly, and that fact not only lessens the probability that the courts will compel dissolution, but also lessens the injury to be worked by dissolution, if it does come.

The Street does not believe that U. S. Steel will be effectively dissolved. It may be compelled to segregate its railroads, or possibly some of its ore holdings, or other branches of its business; but that the final result of the Government suit will be to decrease dividend payments to stockholders is not seriously believed.

THE TARIFF.

The reduction of the tariff apparently constitutes a greater danger. It would be a very difficult matter, in view of the increasing expenses of the Government, for even a radical overturn of political control to result in any important reduction of the effective protection on iron and steel products; yet it would, of course, be possible to effect this change by increasing taxation elsewhere, and the possibility must be reckoned with by the investor. Judging from our past experiences in tariff revision, the probability of such a reduction is remote; but in some respects we now have new times and new manners, and it is not safe to form our opinions too exclusively from the past.

Coming to the third point, it is entirely reasonable to assume that, sooner or later, the Steel Corporation will have to pass through a more extended depression than any it has yet encountered. Just when or how such a depression will come, no one can predict with any degree of certainty. When it does come, the price of Steel stock will have to suffer, in common with all other stocks.

In passing, we may note some of the peculiarities of the U. S. Steel report for the year 1911, recently issued. For example, "Net profits of subsidiary companies not adjusted" shows a credit of $11,120,000, against a deduction of $2,417,000 in 1910. This item accounts for nearly half of the 5.9 per cent. earned on the common stock in 1911, and the stockholder has absolutely no means of knowing where the credit came from.

There was an increase in bonded indebtedness amounting to $24,149,000. These were bonds of subsidiary companies, issued to cover construction expenses and for purchase of the Pittsburgh-Monongahela coal property. A further amount of $30,500,000 bonds has since been authorized.

Again, charges to depreciation and improvements were only $19,839,000—the smallest in the history of the company, with the exception of the depressed years of 1908 and 1904.

These things indicate that, in a year of dull business, the U. S. Steel Corporation, like all other companies, temporarily cut down its expenses and has availed itself of accumulated credits wherever practicable. The increase in bonds is not large, in view of the tremendous improvements financed out of earnings in previous years.

A SPECULATIVE INVESTMENT.

Steel common is not yet ready to graduate into the ranks of the highest-grade dividend payers. It is, and is likely to remain for years to come, a speculative investment, but relatively sound and satisfactory in its class. The recent movement of the price is alone enough to show this. From 22 in 1907 to 94 in 1909, back to 50 in 1911 and quickly up again to nearly 70—these are not the fluctuations of a "woman's investment."

Yet these very fluctuations afford the shrewd investor splendid opportunities for profit. It is not without reason that Steel common is the public's favorite, and the investor who carefully studies the steel situation in connection with general financial conditions, will be well repaid for his trouble.

BOND DEPARTMENT

What an Investor Ought to Know

II—That the Bond he Holds Represents a Small Piece of a Larger Debt

By FREDERICK LOWNHAUPT.

[Under the above caption it is intended to present a series of articles treating many of the fundamental facts that are either never learned by many investors or apparently overlooked in the purchase of investments. Discriminating selection is no easy matter. Without a knowledge of the basic principles underlying the science of investment rational selection is impossible. The aim of these articles will be to give many facts in readable form—facts which in themselves are technical, but which, coordinated, explained and placed in proper relation to each other, are both interesting and easily understood.]

THE average investor falls far short of giving the proper attention to the investment of his surplus. It would be too much to ask that he be scientific in the distribution of his funds among securities. That is acquired only after years of laborious study and investigation and perhaps after a broad experience in the handling of investments.

Anyone having large amounts of funds to handle would be expected to have a working familiarity with the principles of investment. There is, however, no more reason why he should understand fully what he is doing than the investor with a small amount of money. In fact, the smaller the amount available for investment the greater the necessity for its wise placement. The man with a thousand dollars can far less afford to lose anything of his principal than the man that can buy fifty or a hundred or more bonds.

In a previous article emphasis was laid upon the fact that the bondholder is a creditor. In this article it is sought to lay the emphasis upon the fact that his position when holding a very few bonds is comparatively insignificant, although he does have certain rights which are, however, only enforceable insofar as many bondholders move together. But this last mentioned aspect of the matter is for future discussion.

If the average bond buyer realized in the measure that he should that he holds a small part of a larger debt, and in some cases a very big debt, he would be stimulated to a better consideration of a number of things than he gives now.

It is peculiar to note the great care that many people exercise in the selection of real estate investments. That is to say, they purchase these only after a thorough investigation of the position of their mortgage on the property, and in no case would consider the investment were the debt so large as to appear excessive and overburdensome for the property. Yet they, if they are bond buyers at all, and others who are regular purchasers of bonds will take up this form of security with few questions or none about the relative size of the issue of which their bond is a part.

This is not to say that the same application of the principles of investment can be made to real estate mortgages as to railroad bonds secured by a mortgage on an important steam railroad, as there are peculiar considerations in real estate that do not hold in the other case, but it is to

say that too little attention is often paid to the relative position that an issue holds to the mass of securities on various properties.

A very big issue of bonds generally takes its place in the scheme of things behind a number of other bonds that have been out for a long time. Now if this latter debt is so big that the company is going to have a hard time meeting the interest on it when business conditions are not good, it is a matter of vital interest to the bondholder. Such situations have arisen, and, of course, more are to come. In other words, the company that has a large bonded debt generally has a number of small issues followed by a very large one. And this large issue may be the last one brought out. That is, there may be a substantial number of issues that have precedence to it. With all these ahead of it, its very size, or, rather, the great amount of interest that it will require, may make it a vulnerable point in a business depression and serious falling off in earnings.

It is, of course, possible to say that many of our railroads can support a large debt and can capitalize their improvements and expansion constantly in the form of bonds, but the bigger the debt becomes the more the investor should remember that there is a vast amount of debt beside his bond on which interest must be paid and that only so far as all this is met right along can the company keep out of trouble.

Let a company fail to pay any of its fixed bond interest, and within a comparatively short time, perhaps not more than thirty days, it may be in the hands of receivers and in a position where all those holding its debt may be kept out of their interest indefinitely, and some almost certain to lose at least all the interest due them and a part of their principal.

The average investor might have a hard time of it trying to judge for himself whether a property can bear a large debt. He might be very wrong in saying that it could not invariably pay the interest due on its bonds all through the year, but it could do no harm to study the question carefully rather than throw money into a security which, just because it is called a bond, might by others be thought to be a thoroughly safe investment.

(To be continued.)

Why Public Utility Bonds Are Popular

Three Reasons for Their Favorable Position.

By "THE BOND MAN."

TO ask the question whether public utility bonds are popular would be a waste of mental effort. The observant reader of the daily paper notes that about six out of every ten large advertisements offering securities that appear in the financial pages of the great metropolitan dailies are offerings of public utility bonds.

How has this come about, and why? The answer is simple. In the first place, let us look into the status of public service corporation bonds today. About twelve years ago, at any rate not more than fifteen years ago, the era of consolidation of large industrial concerns was in full swing. In the development of the gigantic corporate bodies there were, of necessity, heavy flotations of securities. A great deal of new preferred stock was issued along with an enormous amount of bonds. Large amounts of these securities were exchanged for the securities of the combined companies. All this was happening just after a period of consolidation and reorganization of our railroads, so that there were about ten or fifteen years during which the railroads held the attention of the investment world, followed immediately by a few years in which industrial financing stood in the middle of the stage. All this carried conditions up to about 1900, when a great movement along another line be-

came apparent. The public utility movement was developing great vitality.

In the earlier stages of promotion many public service corporations had to depend upon various methods of raising funds aside from offering the general public their bonds. As a matter of fact many among the first of this class of corporations were financed initially through the flotation of stock which was taken or held by the immediate promoters. There was some reason for this situation.

From fifteen to twenty-five years ago conditions in this country were very different from the present day. The traveling habit had not been strongly developed, and the fact that many steam railroads were having a hard time getting business between various points made the earlier interurbans quite a venture. Also the electric light and power business was in its earliest infancy then. And again gas held the field as a town and city illuminant, and the use of electric power in a multitude of small ways had not begun. The street railways throughout the country were to a large degree horse tramways.

The prosperity that has been the lot of this country over these years has stimulated travel on the steam roads, which in turn has given an impetus to the building of many interurban lines, city horse car lines have been transformed by the introduction of electric power, electricity has supplanted gas for lighting purposes in a dozen ways and places (although the gas business is now stronger than ever before), and the development of the production end of the power business in both steam and hydro-electric generating plants has given cheap rates for power so that thousands of small motors now run sewing machines, factory machinery, printing presses, etc.

Nothing further need be said to show the foundation for the great output of public utility bonds. It came like a flood but the bonds have grown constantly more popular, until now a 5.25 per cent. to 5.50 per cent. yield on many high-class and thoroughly sound public service corporation bonds is practically the accepted income.

So we may say that one of the great reasons why this class of bond has appealed to the people is from the fact that they have been able to see in a very direct way just what kind of a property they were financing in purchasing this kind of bond.

It should not necessarily be so, but it is a fact that more than a few investors need some visual evidence to convince them that their money is going into property of substantial value. They get it in accepting public utility corporation securities. Every fair-sized town is now supplied with an electric light plant, and many towns have also their local gas plant. Every place that asks you to settle there can boast of its trolley line, and those regions in proximity to great water falls offer very cheap power. Hundreds of thousands of people see these things, know them as part of their every day experience, are impressed with the fact that what these corporations provide are actual necessities, and are then ready to invest in just such enterprises. The reason is partly psychological, of course, but it is nevertheless a potent factor in the distribution of this kind of bond. Investors have come to recognize that the public utility corporation is a "public necessity" corporation, and from this fact have reasoned that the elements of soundness in them are clearly apparent.

Then again, the income return that is universal for this type of bond has its attractions. For the past few years the question of the cost of living has been among the prominent topics of the day. Because of the comparative youth of many public service corporation issues the level of their income has not gone to the low plane that holds in high grade railroad issues, so that yielding 5.25 per cent. and offering a large element of safety and stability as against a return of 4.25 per cent. or possibly 4.50 per cent on high grade railroad issues, it is obvious as to what the average investor will accept. A multitude of investors have become so educated to the income return around 5 per cent. that the established standard for this class of bonds at present ranges somewhere between 5 per cent. and 5.25 per cent.

We have said that the elements of safety in many of these bonds are pronounced. The reason for this brings us to the third prominent characteristic of utility bonds, which adds to their popu-

larity in a large degree. In the earlier days of street railway and power financing such projects were regarded as promotions in a somewhat different sense than now. It was considered that the speculative element was heavy and that a very large part of the money for the earlier stages of building and development could not be expected from buyers of bonds. Obviously the purchaser of such bonds under those conditions would have had to be offered a strong inducement in the form of a heavy discount in price. For that reason many millions of dollars were put into utility corporations through the medium of stock issue, and this stock held by the promoters of the project. So when greater needs for funds developed it was the direct result of expanding business. After having been in operation some time these properties had some basis on which to begin issuing funded debt. Where there were good earnings to exhibit the bonds commanded a good price. Leaving aside this aspect of the matter, however, it should be noticed that the bonds were real first mortgages on the properties.

This priority of lien has been a factor in selling immense amounts of utility bonds. In numerous cases it has been possible to make a very strong statement of the safety of the securities of an issue because of its strong lien on the property, a statement which has appealed to investors.

This last reason has been the ground for some sharp contrasts between utility bonds and some railroad issues. The choice first mortgage issues of the latter type are pretty well exhausted. It is becoming increasingly difficult to issue a real first mortgage on any large part of our railroad properties inasmuch as nearly all of them are covered by some lien, whereas the utility field offers some very choice new securities still which bear this close relation to the properties which are pledged to secure them.

(*Series continued in June issue.*)

Public Utility Bonds.

Recent Offerings of Leading Houses.

		Yield About
Cleveland Electric Illuminating Co.	First Mortgage 5s	4.80%
St. Clair County Gas & Electric Co.	First Consolidated Mort. 5s	5.20%
(Guaranteed principal and interest by the American Gas Co.)		
Detroit Edison Co.	First Mortgage 5s	4.85%
Milwaukee Electric Ry. and Light Co.	Gen'l and Ref. Mort. 5s	5.20%
Beloit Water, Gas and Electric Co.	First Mortgage 5s	5.30%
Watertown Light and Power Co.	First Mortgage 5s	5.00%
Bangor Railway and Electric Co.	First Mortgage 5s	4.90%
Georgia Railway and Electric Co.	Ref. and Improvement Mort. 5s	5.00%
California Gas and Electric	Unifying and Refunding 5s	5.25%
Mobile, Alabama, Gas Company	First Mortgage 5s	5.42%
Pacific Gas and Electric Company	General and Refunding 5s	5.50%
San Joaquin Light & Power Company	First and Refunding 5s	5.45%
St. Louis, Springfield and Peoria Traction	First and Refunding 5s	5.00%
Union Gas Company, Spokane, Washington	First and Collateral Trust 5s	5.12%
Virginia Railway and Power Company	First and Refunding 5s	5.12%
Western United Gas and Electric Company	First and Refunding 5s	5.07%
Brooklyn Borough Gas Company	General Mortgage 5s	5.12%
Springfield Light, Heat and Power Company	First Mortgage 5s	5.15%
Brandon, Manitoba, Gas and Power Company	First Mortgage Sinking Fund 6s	5.75%
Portsmouth, N. H., Gas Company	First and Refunding Mort. 5s	5.05%
Kankakee Gas and Electric Company	First and Ref. Mort. Sinking F. 5s	5.15%
Great Falls Power Company	First Mortgage Sinking Fund 5s	5.20%
Standard Gas and Electric	Convertible 6s	6.00%
Lake Shore Electric Railway	General Mortgage 5s	6.00%

The Bond Buyer's Guide

IN the following table are arranged in order of yield the principal active issues of bonds listed on the New York Stock Exchange, the income being figured at the latest available selling price. They are divided into groups, according to the grade and character of the bonds.

This table will appear monthly, and will prove invaluable to bond buyers, as well as to brokers and to all others who are called upon to select or recommend investments.

(1) High grade mortgage bonds, many of which are legal investments for New York State Savings Banks.

Description.	Due.	Interest Period.	Price.	Yield.
Chic. Rock I. & Pac. Ry. ref. g. 4s	Ap., 1934	A.—O.	89½	4.78
Ches. & Ohio gen. g. 4½s	Mr., 1992	M.—S.	100⅝	4.47
Central of Ga. cons. g. 5s	N., 1945	M.—N.	109⅜	4.46
Oregon Sh. Line guar. ref. 4s	D., 1929	J.—D.	94⅞	4.42
Atch. Top. & S. Fe adj. g. 4s	Jl., 1995	Nov.	91¼	4.40
Un. Pacific, Ore. Sh. L. R.R. guar. ref. 4s	D., 1929	J.—D.	95⅛	4.40
Oregon & Wash. 1st & ref. 4s	Ja., 1961	J.—J.	92⅛	4.39
Balt. & Ohio, So. West. Div. 1st g. 3½s	Jl., 1925	J.—J.	91¼	4.39
Hocking Valley 1st cons. g. 4½s	Jl., 1999	J.—J.	102⅝	4.38
Wisconsin Cent. 50-yr. 1st gen. 4s	Jl., 1949	J.—J.	93	4.38
Nor. & West., Pocah. C. J. 4s	D., 1941	J.—D.	94	4.36
Atchison Sh. Line 1st 4s	Jl., 1958	J.—J.	93⅛	4.35
C. M. & Puget Sd. 1st gu. 4s	Ja., 1949	J.—J.	94	4.34
Northern Pacific gen. l. g. 3s	Ja., 2047	Qu.—F.	70	*4.31
Un. Pacific, Ore. Sh. L. R.R. 1st g. 6s	F., 1922	F.—A.	113⅝	4.31
Ter. A. of St. L. gen. ref. s. f. g. 4s	Ja., 1953	J.—J.	94¾	4.27
Mo. Pac., Rev. & G. Div. 1st g. 4s	My., 1933	M.—N.	84	4.27
Balt. & Ohio prior 3½s	Jl., 1925	J.—J.	92⅝	4.27
Oregon Ry. & Nav. con. g. 4s	Je., 1946	J.—D.	95⅝	4.26
Atlantic Coast Line 1st. g. 4s	Je., 1952	M.—S.	95	4.26
So. Pac. Co., Cent. Pac. mort. gu. g. 3½s	Ag., 1929	J.—D.	91	4.25
So. Pacific R.R. 1st ref. 4s	Ja., 1955	J.—J.	95¼	4.24
Colorado & So. 1st g. 4s	F., 1929	F.—A.	97¼	4.23
Illinois Central 1st ref. 4s	N., 1955	M.—N.	95⅜	4.23
Mo. Kansas & Texas 1st g. 4s	Je., 1990	J.—D.	95	4.22
So. Pac., Cent. Pac. 1st. ref. gn. g. 4s	Ag., 1949	F.—A.	96⅛	4.21
Gt. Northern 1st & ref. 4¼s Ser. A	Jl., 1961	J.—J.	101	4.20
C. B. & Q. gen 4s	Mr., 1958	M.—S.	96⅛	4.19
C. B. & Q., Ill. Div. 3½s	Jl., 1949	J.—J.	87	4.19
Chic., Rock I. & Pac. gen. g. 4s	Ja., 1988	J.—J.	96	4.18
Erie 1st con. g. 4s prior	Ja., 1996	J.—J.	88¾	4.13
Union Pacific 1st & ref. 4s	Je., 2008	M.—S.	97⅛	4.12
Chicago & N. West. gen 4s	N., 1987	M.—N.	97⅝	4.10
Balt. & Ohio g. 4s	Jl., 1948	A.—O.	98⅛	4.10
Reading Co. gen. g. 4s	Ja., 1997	J.—J.	98⅛	4.08
Del. & Hud. 1st & Ref. 4s	My., 1943	M.—N.	98¾	4.07
Chic. N. West. gen. g. 3½s	N., 1987	M.—N.	86¾	4.07
Norfolk & Western Ry. 1st cons. g. 4s	O., 1996	A.—O.	98¾	4.05
Louisville & Nashville uni. g. 4s	Jl., 1940	J.—J.	99⅛	4.05
Penna. Co. gu. 1st g. 4½s	Jl., 1921	J.—J.	103⅜	4.05
Chic. Mil. & St. P. gen. g. 4s Ser. A	My., 1989	J.—J.	98⅞	4.05
N. Y. Cen. & H. R. R.R. g. 3½s	Jl., 1997	J.—J.	87	4.04
Del. & Hud. 1st & ref. 4s	My., 1943	M.—N.	99⅜	4.04
C. B. & Q., Ill. Div. 4s	Jl., 1949	J.—J.	99½	4.03
Atch. Top. & S. Fe gen. g. 4s	O., 1945	A.—O.	99½	4.02
Northern Pacific prior l. g. 4s	Ja., 1997	Qu.—J.	99¾	4.01
West Shore 1st gu. 4s	Ja., 2361	J.—J.	100	4.00
N. Y. C. & H. R. ref. g. 3½s	S., 1997	J.—J.	88	4.00
Un. Pacific, R.R. & land gr. g. 4s	Jl., 1947	J.—J.	101	3.95
Del. & Hud., Alb. & Sus. 1st con. 3½s	Ap., 1946	A.—O.	92½	3.90

(2) Collateral trust bonds selling at prices relative to the great value of the underlying collateral.

Chic. R. I. & Pac. R.R. coll. tr. 4s	N.,	2002	M.—N.	72⅝	5.52
Southern, Mob. & O. coll. tr. s. f. g. 4s	S.,	1938	M.—S.	86¾	4.90
Erie, Penn. Coal. coll. tr. g. 4s	F.,	1951	F.—A.	89	4.61
Sou. Pac., Cent. Pac. coll. g. 4s	Ag.,	1949	J.—D.	92⅛	4.43
Gt. Northern, C. B. & Q. coll. tr. 4s	Jl.,	1921	J.—J.	97	4.41
Atlantic C. L., L. & N. coll. g. 4s	O.,	1952	M.—N.	94½	4.29
N. Y. C. & H. R. R.R., Lake Sh. coll. g. 3½s	F.,	1998	F.—A.	82½	4.27

(3) Convertible bonds having no mortgage lien whose quotations are governed largely by the price changes of the stock into which they are convertible.

Erie 50-yr. conv. 4s, Ser. B	Ap.,	1953	A.—O.	80½	5.15
Ches. & Ohio conv. 4½s	F.,	1930	F.—A.	93¾	5.03
Del. & Hud. 10-yr. conv. deb. 4s	Je.,	1916	J.—D.	98⅛	4.52
Erie 50-yr. conv. 4s, Ser. A	Ap.,	1953	A.—O.	90½	4.51
Sou. Pacific Co. 20-yr. conv. 4s	Je.,	1929	M.—S.	96⅛	4.33
N. Y. N. H. & H. conv. deb. 6s	Ja.,	1948	J.—J.	130¾	4.31
N. Y. N. H. & H. conv. deb. 3½s	Ja.,	1956	J.—J.	93⅛	3.82
Atch. Top. & S. Fe conv. 4s (issue 1910)	Je.,	1960	J.—D.	104¼	*3.81
Union Pacific 20-yr. conv. 4s	Jl.,	1927	J.—J.	103½	3.69
Atch. Top. & S. Fe conv. g. 4s	Je.,	1995	J.—D.	108½	3.67
Norfolk & Western 10-25-yr. conv. 4s	Je.,	1932	J.—D.	113⅝	3.08
Atch. Top. & S. Fe 10-yr. conv. g. 5s	Je.,	1917	J.—D.	110	2.84

(4) Debenture bonds selling on high level because of good general credit of company.

N. Y. Chic. & St. L. deb. 4s	My.,	1931	M.—N.	90	4.81
Chic. Mil. & St. P. 25-yr. deb. 4s	Jl.,	1934	J.—J.	92	4.57
Lake Shore deb. g. 4s	S.,	1928	M.—S.	93½	4.57
Lake Shore 25-yr. g. 4s	My.,	1931	M.—N.	93¼	4.53
N. Y. C. & H. R. deb. g. 4s	My.,	1934	M.—N.	93⅝	4.46
C. B. & Q. deb. 5s	My.,	1913	M.—N.	101	3.97

(5) Semi-investment bonds, many of which are general mortgages, often classified as "business man's" investments. Income yield is reasonably definite index of relative worth.

Wabash 1st ref. & ext. g. 4s	Jl.,	1956	J.—J.	61¼	6.81
Seaboard Air Line adj. 5s	O.,	1949	F.—A.	80¾	6.38
St. L. & San Fran. gen. 15-20-yr. 5s	My.,	1927	M.—N.	88	6.25
Chic. & Alton Ry. 1st lien 3½s	Jl.,	1950	J.—J.	63	5.96
Denver & Rio Gr. 1st & ref. 5s	Ag.,	1955	F.—A.	88½	5.72
Mo. Pacific 40-yr. g. loan 4s	Mr.,	1945	M.—S.	74¾	5.71
Mo. Pacific 1st & ref. conv. 5s	S.,	1959	M.—S.	88¾	5.69
St. Louis S. W. cons. g. 4s	Je.,	1932	J.—D.	81½	5.54
St. L. & S. F., K. C. Ft. S. & M. Ry. ref. g. 4s	O.,	1936	A.—O.	80	5.50
N. O. Mobile & Chic 1st ref. 5s	Ja.,	1960	J.—J.	92¼	5.46
St. L. & San Fran. ref. g. 4s	Jl.,	1951	J.—J.	79½	5.24
Southern Ry. dev. & gen. 4s, Ser A	Ap.,	1956	A.—O.	78¾	5.24
Cent. Vermont 1st gu. g. 4s	My.,	1920	Qu.—F.	92⅛	5.22
Chic. & E. Ill. ref. & imp. g. 4s	Jl.,	1955	J.—J.	80½	5.12
Wabash 2nd g. 5s	F.,	1939	F.—A.	98⅞	5.08
Erie 1st cons. gen. lien g. 4s	Ja.,	1996	J.—J.	79¼	5.07
Chic. Gt. Western 1st 4s	S.,	1959	M.—S.	81	5.06
Kansas City So. ref. & imp. 5s	Ap.,	1950	J.—J.	99⅜	5.04
Pere Marquette, Flint & P. M. 1st con. g. 5s	My.,	1939	M.—N.	99¾	5.02
Seaboard Air Line ref. 4s	O.,	1959	A.—O.	82	4.99
Mo. Pacific 1st cons. g. 6s	N.,	1920	M.—N.	107¾	4.88
Denver R. Gr., Rio Gr. West 1st tr. 4s	Jl.,	1939	J.—J.	86⅞	4.87
Wheel. & L. E. R.R. 1st cons. 4s	Mr.,	1949	M.—S.	85¼	4.86
San Ant. & Ar. Pass. 1st gu. g. 4s	Ja.,	1943	J.—J.	86⅝	4.83
Mo. Kan. & Texas 2nd g. 4s	Je.,	1990	F.—A.	84	4.79
Denver & Rio Gr. 1st cons. g. 4s	Ja.,	1936	J.—J.	89¾	4.72
Colorado & Sou. ref. & ext. 4½s	My.,	1935	M.—N.	97¼	4.70
West Maryland 1st g. 4s	O.,	1952	A.—O.	88	4.66
Southern Ry. 1st cons. g. 5s	Jl.,	1994	J.—J.	107⅜	4.65
St. Louis Ir. M. & S. gen. con. g. 5s	Ap.,	1931	A.—O.	105½	4.56
N. Y. Westches. & B., ser. 1, 1st 4½s	Jl.,	1946	J.—J.	99⅞	4.51

* Calculations on 100 years only.

Buying Bonds on Installments

As a Temporary Investment Pending Purchases of Stocks in a Panic

EDITOR of THE MAGAZINE OF WALL STREET:

I wish to invest about $150 to $200 per month in "gilt-edge" bonds and wish to carry these purchases on 10 per cent. margin, with privilege of increasing margin until bonds are entirely paid for, then to be delivered to me.

I don't want to pay more than the usual brokerage and want to deal with a house of long established reputation for conservatism.

My idea is to make every dollar earn good interest and still be available for instant use in case of a slump in *good* stocks.—R. P.

So far as buying gilt-edge bonds on margin is concerned, you can probably arrange some satisfactory plan with almost any reputable brokerage house. We do not fully understand just what you desire to accomplish, unless it is that you are able to use the ninety per cent. balance of the margin on your bonds so as to get a higher interest on it than the interest that would be charged you on this sum by the broker who was carrying the bonds for you. If this is your idea, we see no objection to it, provided that your balance is so invested that you can get the cash whenever you need it, either in case of a decline in the price of your bonds or for the purpose of investing in stocks on a sharp break.

Of course, you understand that if a panicky market should develop the broker might be obliged to charge you a high interest rate for a time on the ninety per cent. balance of your margin on the bonds, and conditions are conceivable when your broker might be unwilling to carry bonds on margin and be compelled to ask you to take the bonds up for cash. In the present easy money market there is no indication of the early development of any such condition as this; but in putting into operation such plan as you suggest, you will need to watch financial conditions and provide against possible emergencies.

It is rather difficult to make your money earn a high interest rate all the time and still have it available for instant use in case of a slump in the stock market. This is something like trying to "eat your cake and have it too," as the old saying is.

The objection to your plan is that the time when you would wish to have your money "available for instant use in case of a slump in good stocks," would also be likely to be the time when your bonds would be somewhat depressed and you might be asked to increase your deposit on them, or in an extreme case, to take the bonds up for cash. When a real panic occurs, the great difficulty is to get ready money. If you are tied up in bonds, you may sometimes miss your opportunity on the stocks.

On your gilt-edge bonds you will get four or four and one-half per cent. interest. On the other hand, you could deposit the money with a trust company or a strong private banking house at three per cent., with the privilege of checking it out at any moment. Your gain in interest by buying bonds would be one or one and one-half per cent., while you might have to pay five or ten dollars a share more for your "good stocks" bought in or soon after a panic, because of the difficulty in financing an instant purchase in a tight money market.

In carrying the bonds on margin, you would gain nothing in interest rates, for your broker would have to charge you, on your unpaid balance, about the same interest that you were getting on the bonds.

In a word, buying bonds for investment is one thing, and buying stocks in a "slump" is another thing, and we see no real advantage in mixing the two.

The above applies to purchases of bonds on margin in the regulation way. A number of good houses, however, have arranged, within the last few years, to buy gilt-edge bonds for customers on the instalment plan. The first payment is usually about fifteen points and subsequent monthly payments five points each.

Where the buyer has a monthly income which is positively assured, the instalment plan is a good one, provided purchases are made through a thoroughly reliable and conservative brokerage house.

Bond Notes and Inquiries.

THE new bonds of the subsidiaries of the United States Steel Corporation were thoroughly well received and well they should have been. Guaranteed by the Corporation, which is able to show net earnings far above its requirements for charges, there is a large margin of safety for the new bonds. In the matter of security they rank among the best industrial issues on the list and will doubtless reflect this before many months in prices.

Foreigners again showed their readiness to take up a very profitable looking security when they subscribed heavily for the new Denver & Rio Grande bonds which are to bear 7 per cent. These European buyers seem to have telescopic eyes for profits such as are likely to result in these bonds.

There is no flood of railroad financing deluging the markets now, but straws to show which way the wind is blowing seem to be found in such items as, for instance, that the Chicago & Northwestern, which only recently sold $15,000,000 bonds based on one of its subsidiary properties, will probably soon sell a large block of equipment notes, presumably to make substantial additions to its equipment in the immediate future.

Trend of the Bond Market.

Since the March issue, in which it was noted that the trend of the market in active bonds, as reflected in the movement of prices of high-grade bonds on the New York Stock Exchange, was distinctly upward, there has been a considerable reversal of that situation. The reason has been obvious to close observers. There has been profit taking in many of the active bond issues that have had a little rise due to the plethora of money and there has been liquidating for the purpose of having money rather than securities, to take advantage of the uplift in money rates. Another potent factor has been the action of the stock market, which has caused a shifting of money and money rates due to much shifting of investment capital from bonds into stock.

What is the immediate future to be? That will be decided by the course of money rates from day to day. If these rates continue high the quotations of a considerable volume of bonds may be expected to run off a little further. If the stock market continues expanding and advancing that fact will accentuate the situation. As to the outside market, there is no definite characteristic now. Over the past three or four weeks no doubt a goodly sum of money that was awaiting investment has gone into stocks and for that reason there has been a temporary cessation of strong bond buying. With this demand greatly slackened and a culmination in stock market activity, many bond buyers will again be paying more attention to the strictly investment market. There are evidences of such a situation developing.

Current Offerings.

Great Falls Power Co. $5,000,000 first mortgage 5s. A hydro-electric bond based upon property along the banks of the Missouri River for a distance of more than eight miles. Earnings for the year 1911 were over 2½ times full interest charges on the outstanding bonds. Bonds offered to yield about 5.25 per cent. by the Guaranty Trust Co.

Federal Light & Traction Co. $3,000,000 first lien sinking fund 5 per cent. bonds. First lien on public utilities in twelve cities along with lien on certain collateral. Consolidated net earnings on these properties reported for 1911 more than 2½ times interest charges on this issue. Bonds are followed by an equity represented by securities at over $5,200,000. Offered by White Weld & Co. to yield 5.45 per cent.

Indiana Steel Co. $15,000,000 5 per cent. bonds are a first mortgage on the Gary plant of the United States Steel Corporation and are fully guaranteed by the latter. They have a strong sinking fund. Offered by J. P. Morgan & Co., First National Bank and National City Bank at 101¼.

Illinois Steel Co. $5,500,000 4½ per cent. debentures. Fully guaranteed by the United States Steel Corporation. Offered to yield about 5 per cent. by J. P. Morgan & Co., Kissel, Kinnicutt & Co., and Lee Higginson & Co.

Hilton Dodge Lumber Co. $6,000,000 first mortgage 6s. First mortgage on the entire property of the company valued at $16,800,000. About 550,000 acres in Georgia and South Carolina. Offered by Lee Higginson at par.

City of Los Angeles, Cal. 4½ per cent.

bonds. Amount $9,390,000. Issued for water works, Electric Light Plant and Harbor Improvement. Offered by Speyer & Co. to yield 4.25 per cent. and 4.35 per cent.

Brooklyn Borough Gas Company General Mortgage 5% Forty-year Gold Bonds. Due June 1, 1945. Callable in whole or in part by lot on any interest date at 105 and accrued interest. This company has been in successful operation for thirty years, serving with gas the 31st Ward of Brooklyn, a part of Greater New York, having a population of 35,000. The franchises are perpetual, and without any burdensome restrictions. Net earnings are about two and one-half times the total bond indebtedness. Tax exempt in New York State. Price to net about 5⅛ per cent. Offered by P. W. Brooks & Co.

Inquiries.

I am offered a mining bond with the assurance that it is a very safe security. Can you tell me how safe it really is?—T. B.

That depends upon the kind of property upon which it was issued. If it happens to be a bond on a good coal property it may be quite as represented inasmuch as there are some very excellent coal bonds in the market now, bonds which come due long before the supply of coal on which they are a mortgage is likely to be exhausted. If the bonds in question represent some other kind of property they may also be good, but on the other hand may be a great risk. An ore mine should be very carefully considered before investing. Generally speaking, every case should be studied on its own merits. The sinking fund, that is the fund which retires them gradually, for the bonds is a vital factor in their safety.

To what extent can one make money in the active bond market by so-called quick turns?—N. S.

There is a rather wide group of bonds of the semi-investment class that fluctuates freely with the changing money market and the varying fortunes of railroads as indicated by their monthly earnings. Some of these changes may amount to three or four points. Then again there are some bonds of properties in receivership which fluctuate violently giving almost as much opportunity in some instances for quick profits as is found in the stock list. Furthermore, there are the high grade issues which change only slightly with the changing money market where only very narrow profits may be scalped. To get results however one must know the bond list pretty thoroughly and watch it closely. A discussion of this subject will be taken up in a subsequent issue of the magazine.

What is meant by corporate stock of New York City?—L. C.

That is the name applied to the long-term bonds of the city to distinguish between them and the short issues, principally special assessment bonds.

Investment Hints.

Be sure that the firm with which you deal has good standing.

Remember that some bonds contain more risk than some common stocks and much more than many preferred stocks.

Do not forget that the word *bond* has no magic about it. It does not mean absolute safety in all cases.

Do not put all your investment eggs into one basket even if you can watch that basket.

Better make a 4 per cent. investment that will permit of sleep than one returning 6 per cent. which is a source of constant anxiety.

The Equipment Companies

THE small purchases of equipment by the railways for several years past have led to the development of considerable bullish sentiment on equipment stocks. The theory is that the natural growth of the country and the unavoidable wearing out of equipment will soon force the railways into the market as large purchasers. A prominent investment house comments on this situation as follows:

"Today there is practically no idle equipment in the United States, but its condition by reason of the strain put upon it last year, when everything that could move on wheels was utilized, must be somewhat dilapidated. Last year, also, the equipment companies were struggling under depressed conditions. The railroads were not buying the rolling stock they needed, no matter how urgent the demand—as evidenced by the output of only 55,931 cars and 3,530 locomotives, against 180,945 cars and 4,755 locomotives the previous year. Not since the Spanish war have fewer cars been built than last year.

"That this situation must find reflection in the placing of substantial orders for equipment is a certainty, if the railroads of the country are to adequately provide for the increased transportation demands attending the normal growth in business, irrespective of the way such a demand would be accentuated by an extended period of prosperity."

Outlook For Low Interest Bonds

Better Prospects Probable for Holders of These Securities

By W. MARTIN SWIFT

EVER since 1904 our railroads and other corporations have found it necessary to finance their needs by other means than the old style low interest, long term bonds bearing 3½ or 4 per cent. Indeed, these bonds began to lose favor in 1902, and have never fully regained it. Beginning in 1905, it became necessary to devise all sorts of expedients to raise the new capital wanted, and for years higher and higher rates have been paid in order to induce the investor to buy. In 1901 the average yield of a large number of bonds put on the market by leading New York bond houses was 3.92 per cent., but in 1906 it was 4.33 per cent., and in 1909 5.03 per cent. This, of course, represents the real price paid for the capital secured.

There are, however, many indications of a gradual return to the practice of financing through low interest long term bonds. Of course, we are in the habit of talking in a loose way as though the bond market were good or bad by chance. Nevertheless, we all know that over any considerable period of time there is no wind of public caprice, the haphazard blowings of which render the market for bonds good or poor. On the contrary, a good demand is the result of well-defined causes which may be studied by any observer.

Among the leading factors which make and unmake bond markets are the following: The average rate of profit made by business men in their respective businesses; the average rate of the interest received on bank loans and other loans; the degree of general extravagance; the abundance or dearth of investment capital; and the supply of good bonds or other investments.

When the rate of profit made by the typical business man on the capital invested in his business steadily rises, it becomes necessary for the corporation, in order to sell its bonds, to raise its interest rate; for otherwise it will be unsuccessful in persuading the business man to buy its bonds rather than invest the money in his own business. Likewise, when there is a general advance in interest rates so that it is more profitable to lend money than to buy bonds, attractions must be held out to the investor. The prevailing degree of extravagance is also very important because in extravagant times, high incomes are expected, and low interest bonds are unsalable.

It is through observation of these various factors that one must catch what glimpse of the future our horizon permits. Taking a very broad view, however, it is entirely clear that the general trend of interest rates and of bond yields has for a half century been downward, and must in the long run continue downward. In the seventies it was the practice of our railroads to issue 6 or 7 per cent. bonds, and notwithstanding that the price paid for capital has been steadily rising for ten years, it has not approached the 6 per cent. level. The same may be said of interest rates on money. The highest average annual rate for all money loaned in New York was that of 1907, viz., 6.16 per cent. Quite in contrast with this the average rate in another panic year, 1873, was 10.05 per cent. Even in the boom year 1872 the average was 7.63 per cent., whereas during the decade ended with 1856 this average never fell below 8.35 per cent., with the single exception of 1842, when it was 6.42 per cent.

This great decline in interest rates is entirely natural, for in the long run the rate of interest which borrowers as a whole will pay is determined by the average rate of profit which they can make in business. Rates of profit in turn tend steadily to decline as the country grows older and more thoroughly developed, for the reason that the amount of virgin soil, the products of which can be turned

into money with almost no effort, steadily diminishes—while at the same time the undeveloped resources which can likewise be purchased, developed and turned to profit also steadily diminish in extent. Even now 3½ or 4 per cent. is as highly regarded in Great Britain as 5 per cent. is here—while in France the 3 per cent. rate is equally satisfactory.

In this broad view it is quite clear that the amount of capital to be invested tends in every civilized country to grow more rapidly than the means of investing it; and therefore in the long run the supply of capital is practically certain to exceed the demand, and the rate which it will earn is equally sure to decline. That these principles hold in the United States as well as in Europe or elsewhere does not admit of a doubt; and we must regard the rise in interest rates, and in the rates paid for new capital since 1900 as being a movement contrary to the general downward tendency.

Moreover, the causes of the rise in interest and income rates, and of the consequent discredit into which low interest long term bonds have fallen, are fairly clear. In the first place, the liquidation of both indebtedness and stocks of merchandise was by 1897 absolutely thorough, and on that account a boom in business with a corresponding rise in interest rates was sure to take place. This, however, is only one-half of the story, and quite fails to explain why since 1906 the price of new capital, or, in other words, the average yield of new securities issued and sold has risen, whereas the average interest rate on bank loans has simultaneously fallen.

That the price of money has thus fallen, while the price of capital has risen is due largely, if not wholly, to our immense issues and sales of new securities; and this in turn results principally from the great fortunes and immense profits which have been made since 1896 through the incorporation of private property and the consolidation of small corporations into big ones. If there is a single feature which distinguishes the boom which culminated in 1907 from all others, it is the enormously extensive incorporations and consolidations. It is estimated that between 1898 and 1910 private property to the total value of $18,439,700,000 was converted into corporate form, and what this has to do with interest rates will appear in a moment.

This conversion of private property brought fabulous profits to the converters, and produced whole broods of millionaires. The census returns show that manufacturing concerns, while privately owned, were capitalized, or, in other words, were worth in 1905 4.34 times their net earnings per annum—which means that the total value of the typical privately owned industrial concern was equal to a little more than four times its yearly net earning power. When this same concern, however, is incorporated and capitalized, and when its stocks and bonds are listed and sold on the exchange, it then becomes worth at the market value of its securities about ten times its yearly net earnings. The exact average for thirty leading industrials was 9.92, and this does not mean that their par value was 9.92 times their yearly net earnings. It refers rather to their market value.

One cannot wonder that the incorporation of private property, and the consolidation of small corporations became so immensely popular that the sales of the new securities created temporarily exhausted the available supply of investment capital. The situation was that $40,000,000 worth of private property could be incorporated and sold for $100,000,000; and every student of financial history knows that since 1896 this has been done dozens of times, and to a diminishing extent it is still being done. Fortunes which could not be amassed through a lifetime of industry and commercial success were secured almost in a day through this process. Hence it was that from 1906 to 1911 the price of capital, namely, the average yield of new bonds sold, rose from 4.33 to 4.89 per cent., while the price of money or bank loans during the very same period declined from 5.94 to 3.08 per cent.

We seem, however, to have about reached the limit of incorporation. In 1900, even after the conversion of private property had been going on for some years, only 59.5 per cent. of our total output of manufactures was produced by incorporated concerns; but in 1904 the corporations produced 73.7 per cent. of the

total output, and in 1909 79.0 per cent. It is noteworthy that during the past five years the process of incorporation necessarily went forward much more slowly than during the previous five years, for the reason, of course, that there is so much less business property available for incorporation.

This prolific source of great fortunes has apparently been pretty well exploited, and the probability is that during the coming years millionaires will not multiply so rapidly, and extravagance will become less general. In times when four dollars' worth of private property can be transformed into ten dollars' worth of corporate property, and 150 per cent. profit thus be made, and divided between owner, promotor, banker and capitalist, a 4 per cent. bond looks like a contemptible thing indeed. Moreover, when fortunes grow like mushrooms, the spending habit spreads from rich to poor, new enterprises thrive, business booms everywhere, and a 4 per cent. return becomes unpopular, even among those who do not share directly or indirectly in the profits of promotions.

With promotion profits decreasing as they seem bound to do in view of the incorporation of about everything that can be incorporated—except newly produced wealth, of course—it is probable that there will be a marked decrease in general extravagance, and a corresponding enhancement of the regard in which low interest bonds will be held. Indications are that during the coming years, we, the American people, shall be obliged to earn through personal effort a larger part of our income. Even the farmer during the past decade enjoyed immense promotion profits of his own kind. The total value of farm lands, buildings and improvements, according to the Census, increased by $18,579,105,000, and not more than $9,394,794,700 of this apparently represented increase in physical assets created through effort—whereas the other nine billion represented nothing in the world but a general marking up of the prices of farm property occurring as the result of high food prices and larger earning power for the farms.

All the new capital created on the farms by this marking-up process, and in the cities by the similar incorporation process, draws interest—or at least its owners expect it to draw interest. Meanwhile, since the earning power of our industries has by no means increased in like proportion, there has been a considerable decline in our total net earnings per dollar, or capitalization, or wealth. The percentage of income which capital will draw as an average therefore seems bound to fall. Indeed, it seems falling a little already, for thus far this year the average yield of the new bonds sold by leading New York bond houses has been about 4.85 per cent., as compared with 5.03 per cent. in 1909.

Other tendencies in the same directions are the probable increase in the supply of investment funds, and the probable decrease in the volume or total of first-class investments. Investment funds are likely to increase for the very reason that, broadly speaking, business is not booming, and that the costs of labor and commodities are so high that, while a fair degree of prosperity may be looked for, we apparently cannot expect, for some time to come, a repetition of the wild boom days of 1901 or 1906. This reasoning may seem at first contradictory, but it is a historical fact that we save more capital out of earnings in lean or medium years than we do in fat ones—owing of course to the decrease of extravagance.

Scarcity of first-class investments has been felt by the bond houses for more than two years, and this is manifestly due to the fact that our corporations have remaining so few unencumbered assets against which first mortgage bonds or high-grade second mortgages can be issued. Indeed, the listings of high-grade bonds on the New York Exchange have been decreasing in amount ever since 1909. Taking all these considerations together, the gilt-edged 4 per cent. long term bond seems practically sure of an ultimate return to popularity. How long it will take depends upon how rapidly developments move, but it appears to be a fairly safe prophecy that gilt-edged low interest bonds will sell a great deal higher before they sell much lower, in comparison with other bonds.

INVESTMENT DEPARTMENT

The Business Man's Investment

Requirements of Different Classes and How They Are Best Met

By ROGER W. BABSON.

THERE are investments and investments, and they grade from very poor to very good, with a certain few that might be put in a class to be styled gilt-edged. Among the latter are those bonds, like government issues, which are preferred for safety rather than income, and which are so valuable that they are almost as reliable as money itself, for they will command money when any class of security can insure its release from vaults that are closed against all ordinary appeals and ordinary grades of collateral. Gilt-edged investments come as near being absolutely safe as anything can be in an uncertain world. Let it be set down at the outset that safety is the first requisite of the business man's investment, as it is indeed of all investments that are worthy the name. In other respects investments may differ, as likewise do the requirements of investors.

The bank, when making a purchase, say to employ idle funds, particularly considers yield, maturity and the chance of appreciation in price, for the bank usually wants its funds as near liquid as possible, so as to take advantage of situations and opportunities to improve the yield. The bank, in a word, wants to turn its money frequently, and therefore, purchasing short-term securities, it prefers maturities when money is likely to be wanted for ordinary bank uses. Then it prefers something that will appreciate on its hands, if possible, so as to bring income beyond the interest which the investment carries. Banks sometimes do a lot of speculating in securities, carrying the same as loans, but of course, they take pains in selecting the stocks and bonds they put their money into, having a view to the safety of the money as well as the prospective gain from the transactions.

If a bank chances to be of the national variety, and possessed of the right to issue bank notes, it finds it advantageous to own some federal bonds, acceptable as collateral to secure said notes; or it wants high class municipal or other bonds that can be hypothecated to secure deposit of federal revenues. But these are specified investments, for specific uses, and are quite outside the class of investments which banks make for the temporary employment of idle funds when the inquiry for accommodation from customers is light, and those times occur at intervals.

The investor for himself and others as trustee is influenced in his purchases by safety, yield and maturity. In case he is a trustee, say for a savings bank, the legal restrictions governing such use of money hedge him about in a most annoying way, and he is often at a loss to know what he can lawfully buy and hold and yet derive satisfactory income. If he is a trustee for others, he has rather more liberty, and yet, he must place safety of the principal in his keeping before

everything else. If long-term bonds can be had, that will give a fair return, he takes to these, and thus avoids the annoyance and difficulty of frequent change of investments. If he has investments maturing, and good bonds chance to be very high, he may choose short-term notes of good quality and fair yield that will keep the funds in temporary use until the financial situation shall change and choice long-time bonds can be had to advantage. The lot of the trustee for others is not an easy one, and he is frequently perplexed to place funds advantageously for his ward.

The business man who is investing for himself has greater latitude in the choice of securities than the above classes, and is prepared to take risks which the bank and the trustee for others (though what are bank officials but trustees?) would hesitate to take. Now, the business man may have different objects in making investments, and his purchases may be determined by the purpose in view. The element of personality and of bias may enter the case. Most men are influenced by their environment, and their investments may be affected throughout their business career by early business associations.

Here, for example, is a successful manufacturer, whose early manhood was spent in the employ of a firm conducting the same line of business that he afterwards entered upon. His former employer was accustomed to use temporary surplus funds to purchase the notes of other men or firms in his own line of trade; and the example proved contagious. The man first mentioned does the same thing today, and says it has worked fairly well. He is accustomed to exercise care in the selection of notes, investigating the credit of the makers and seeking maturities that will give him the money when his own business requires it, or which his bank will discount on his indorsement before maturity.

That there is some risk in this class of investments he is fully aware; and yet, he knows the trade and the men engaged in it, so does not consider the risk as sufficient to cause him to alter his practice. As for securities for an investment, he finds himself less acquainted with them, and would not know how to handle them; nor would he like the annoyance of seeing them fluctuate in market price while on his hands. He feels that he might wish to sell if they appreciated, or might be disturbed if they declined, and that he might be influenced to become a speculator if he succeeded in making money off his purchases and sales. In his opinion, public knowledge that a business man speculates is disparaging to his credit. For these and other reasons, this business man easily persuades himself that his choice of commitments for his surplus funds is best for him, and there is logic in the conclusion.

There are business men today who were formerly junior partners in the same concerns, and they inherited practices which they have continued, practices in instances that might seem surprising to people accustomed to a different course, since into these there enters somewhat of the element of speculation, the element which very many men would say ought always to be eliminated.

There are men who find themselves for one reason or another, familiar with a particular class of securities, it may be copper shares. Perhaps they are melters of copper and manufacturers of copper and brass goods. To them there is nothing like copper for security. The paper of fellow concerns would appeal to them precisely as the paper of shoe jobbing concerns would appeal to the manufacturer of shoes. And there might be mentioned the paper of any other kind of business as appealing to other men in the same line. Moreover, the man who manufactures brass and copper goods may even prefer the shares of copper mining and smelting companies for temporary commitment of idle funds; and he would naturally argue that he knows the copper mining industry more thoroughly than any other industry except his own, which is allied to copper mining.

Again, the business man engaged in the manufacture of railroad supplies might naturally take to the paper of the concerns handling those supplies or to the securities of railroads purchasing the supplies. Other illustrations without limit might be given, calculated to show how association and familiarity are determining factors in this matter of investing surplus funds of business men.

It is, on the whole, fortunate that "many men have many minds" in the selection of investments, for out of varied practice there is advantage falling to all classes of borrowers and business success is promoted.

Ordinarily the business man should find his own business the most profitable investment, but most businesses have their seasons, and there are times when those who conduct them are long of cash and other times when they are long of supplies or manufactured goods. When there is an excess of cash that cannot be advantageously put into business, there is the question whether to deposit in the bank, whether to discount one's notes, if any there be outstanding, or to invest the money in business paper, stocks and bonds, or in still other ways. Of course, it is realized that men may have funds made in business that are not required at all in the prosecution of the business, but such money is strictly of the investment class, and will be variously applied according to the preference of the owner or the circumstances in which he is placed.

Asked what a business man thus situated should do with his money, a representative of the class says that he should buy good bonds to yield 4½ per cent. and to run as long as possible; that the buyer of the bonds should lock them up and utterly disregard price fluctuations in the security markets.

Of course, all men are not like this man, and would not forgive themselves for neglecting to accept a good profit when offered in a rising stock market. It is even wondered whether the gentleman himself could resist a similar temptation. Still there are men who would resist it, feeling certain that in the end they would be the happier if not quite as well off in material matters.

What it is desired to show is that there are all sorts of men in the world, and no hard and fast rule can be set down to govern their acts under similar circumstances. Generally speaking, a man will invest in that which he is most familiar with, and knows best how to realize on in case he shall wish to sell. The preference may be in any line, as mill stocks, if he is a textile manufacturer; or bank stocks, if he is a merchant and bank director, or in any other of a hundred directions, so that in considering this question it is necessary to make the case hypothetical and suit the investment to the assumed average situation.

It is supposed that the average business man has occasion to carry a large bank balance at some periods of the year, and has need to borrow at certain other times, all of this being legitimate in the prosecution of his business. What use, then, shall he make of the excess of capital beyond what is required to maintain credit at the bank, for the larger the balance carried by a depositor the better his credit at his bank. If the wish of the business man thus situated is to use his investment as collateral, rather than depend on his own bank for accommodation, it will be wise for him to acquire securities of good repute and readily convertible, for convertibility is a prime consideration with lenders. In no way is this better shown than in the class of collateral loans made by stock commission houses. They frequently prefer an active security that has an instant sale to a security of greater intrinsic worth which is slow of sale and perhaps cannot be sold at all in an emergency.

For this reason, stock certificates rank ahead of some bonds in the borrowing market, and some business men would rather have them for hypothecation. Happily, there are securities, both stocks and bonds, that are at once easily convertible and possessed of sufficient worth, and some of these approach the gilt edge grade. When such securities can be had they come near being the ideal investment for the business man who wishes security to offer to the money lender. Knowledge that a man possesses such collateral is often sufficient for the lender without actual hypothecation. To constantly command high credit, through desert, is about the best asset that a business man can have. For this reason, possession of high-class collateral is highly recommended. If to the qualities of high grade and convertibility in a security can be added the liability of appreciation in worth and price (and there are a few such securities) the possession is absolutely ideal for the business man in mind; and it would be desirable for him to possess securities of this quality permanently, and to acquire them, if possible, on one of

those occasions when all securities are on the bargain counter. Such occasions occur only at long intervals, but are occasions when the foundations for prosperity are laid as they are laid at no other time.

But if the business man feels that he cannot hold securities permanently for purposes of hypothecation, but still has need of them for temporary use, then is it requisite that he should use rare discretion in the character of his purchases, and it is less easy to say what he should buy, for times and occasions change and stock markets are rarely so steady as to warrant that a purchaser will not lose somewhat of the principal of his investment by fluctuations in prices. If it chances that he can buy on a rising market, as does happen at intervals, then he may buy almost any fair security and win a profit on the cost or at least avoid a loss when he has occasion to sell.

It does, in truth, become difficult to outline a general principle that will fit every occasion when the business man may wish to invest his surplus without risking principal, so varied are the situations and so uncertain are the times, not to mention the very important item of changeable personality.

Broadly speaking, it seems most advisable for the average business man, who can do so, to provide himself with an amount of high-grade collateral and retain the same for hypothecation as needed, the available surplus other than that to be put first into the bank, either as a fixed deposit at a special interest rate or as a deposit subject to check, or he may buy short-time business paper issued by solvent firms, corporations or individuals, or the short notes and bonds of corporations of which there are always many in these times nearing maturity and paying more than deposit interest to the holder at maturity. Furthermore, there is usually a good market for this class of securities. Not a few trustees have sought these securities of late because of the yield, and as providing a means of tiding over an interval until the market shall offer something inviting for permanent holding. If trustees find this class of security inviting for temporary use, then certainly the business man need not turn from them for like use.

Short Term Notes

Practical Points for the Investor.

By EDWARD NICOLL TOWNSEND, JR.

MANY railroads as well as industrial corporations temporarily finance themselves by issuing short term notes. Short term notes are generally issued in times of a high money market or of a poor bond market, when long term securities cannot be sold on a favorable basis. These notes run for a period of one to five years, but the average maturity is from two to three years.

The majority of these issues, especially those of the high grade railroads and those of well-established industrial corporations, enjoy a close and active market at all times, consequently they are considered high-grade collateral, as they can be readily converted into cash. On this account they are especially attractive for business funds. Most of the banks and trust companies throughout the cities, as well as the country towns, are heavy purchasers of the various issues of short term notes, as they can be purchased to yield a better return than money can be loaned on collateral. Again, the institution can realize on the investment at any time, while on time loans

the money is tied up for a stated period.

When purchasing short term notes the investor should be very careful just what he is buying, and it is always a good plan to verify one's investment. Notes are often bought by the investor with the idea of holding them until maturity, while others invest their funds for an indefinite period, because the investment return is greater than one can get by leaving his money in a trust company at two or three per cent., or even in a savings bank at four per cent.

There are various sorts of short term notes, such as debenture, secured, collateral, guaranteed, mortgage, equipment, etc.

A debenture note is not secured by a mortgage, but is an obligation having precedence over the preferred and common stocks. Provision is often made that no mortgage shall be created during the life of a "debenture" issue which shall not equally secure the latter.

A secured note is also termed a collateral note. Such a note has no mortgage claim upon the property, but is secured by other stocks and bonds. When purchasing such a note it is essential to know just what the security is and the market value of the same, if such can be determined; also whether said security is part of an outstanding issue of bonds or stocks which enjoy a ready market, or whether the securities have only been authorized and not sold. For instance, a note which is a direct obligation of a corporation and secured by a first mortgage underlying bond at the rate of $1,250 bonds for each $1,000 note, these bonds having a ready market at 95, should be entitled to a good rating, as if the security were figured as low as 80 per cent. of par value, the note would still be secured dollar for dollar.

A guaranteed note is one that is an obligation of another company. That is, if the corporation issuing the note does not fulfill its obligation the company guaranteeing the note is held liable.

A mortgage note is one not secured by a mortgage upon its own property but by mortgage securities of other companies. The investment value of such a note depends upon the value of the security pledged for its payment.

A railroad equipment note is secured by various railroad equipment, such as locomotives, cars, snowplows, etc. It is a common practice among railroads in buying equipment to mortgage it and sell equipment securities to finance the purchase.

One should always bear in mind when purchasing a short term note the following: Has the note a ready market? Will the note be affected by fluctuations of stock prices? If a second rate secured note, what is the value of security, and could the same be marketed? If a debenture note, what is financial status of the corporation issuing the same, and what is the amount of indebtedness having prior claim? Can the note be called, and if so, at what price?

An investor in purchasing short term notes from a reputable banking house is generally protected by the banker's recommendation of security, although the investor should have more or less knowledge of the security and should not be entirely dependent upon the seller's recommendation.

Monthly Net Earnings

Returns of Principal Railroads Down to Latest Dates Available.

		Current month.	Change from last yr.	Fiscal yr. to date.	Change from last fisc. yr.	Stock Outstanding (in millions). Pref.	Com.
Atch., Top. & S. F.	Feb.	$2,816,499	+$526,314	$23,568,448*	—$1,513,647	114	169
Atlantic Coast Line	Feb.	986,131	—128,095	6,306,600*	—64,066	...	57
Balt. & Ohio	Feb.	1,573,693	+107.937	17,735,515*	+1,767,041	59	152
Boston & Maine	Feb.	674,993	+233,062	7,236,162*	+78,609	3	39
Buff., Rochester & Pitts.	Feb.	242,228	+15,222	2,063,867*	—261,830	6	10
Can. Pacific	Feb.	2,383,867	+1,239,160	27,936,972*	+3,519,439	61	180
Central of Ga.	Feb.	387,114	+24,617	2,930,534*	—4,092	None	5
Central R. R. of N. J.	Feb.	1,022,115	+287,078	9,105,600*	+951,647	None	27
Ches. & Ohio	Feb.	845,423	+128,893	7,611,171*	—14,265	...	62
Chic. & Alton	Feb.	196,878	+6.836	2,189,566*	—118,413	19	19
Chic., Burl. & Quincy	Feb.	2,177,084	+118.766	20.840,332*	—332,366	None	110
Chic. Great Western	Feb.	149.355	—35.410	2,059,094*	—133,335	40	45
Chic., Mil. & St. P.	Feb.	930,970	+154,342	10.796,474*	—553,693	116	116
Chic. & Northwestern	Feb.	1,269,297	—349,693	13,578,077*	—1,115,861	22	130
Cleve., Cin., Chic. & St. L.	Feb.	443,519	+73,429	683,863†	—14,761	10	47
Colorado & Southern	Feb.	270,812	+36.037	3,404,553*	—632,425	1st, 8; 2d, 8	31
Delaware & Hudson	Feb.	632,221	+195,546	1,189,257†	+237,449	None	42
Del., Lack. & Western	Feb.	980,374	+86,997	9,537,978†	—189,216	None	30
Denver & Rio Grande	Feb.	304,033	+22,747	3,878,390*	—738,550	49	38
Erie	Feb.	833,704	—123,116	9,966,704*	—453,144	1st, 47; 2d, 16	112
Great Northern	Feb.	1,634.771	+754,190	21,157,061*	+4,024,824	209	None
Hocking Valley	Feb.	204,585	+101,629	1,911,008*	+106,135	None	11
Minn. & St. Louis Iowa Central	Jan.	def. 61,271	—189,024	863,308*	—445,438	5 5	15 8
Illinois Central	Feb.	578,450	—481,189	4,824,770*	—5,781,320	None	109
Kansas City Southern	Feb.	265,709	+37,402	2,123,090*	—408,952	21	30
Lake Erie & Western	Feb.	79,786	+39.057	130,771†	+16,267	11	11
Lake Shore & Mich. So.	Feb.	1,199,475	+472,658	2,244,798†	+716,720	None	49
Lehigh Valley	Feb.	846,716	+74,087	8,418,374*	—65,755	...	60
Long Island	Feb.	def. 41,118	+74,062	def. 69,517†	+92,829	None	12
Louisville & Nashville	Feb.	1,414,495	+351,417	11,848,949*	+809,612	None	60
Michigan Central	Feb.	527,234	+147,464	1,111,306†	+393,000	None	18
Minn., St. P. & S. S. Marie	Feb.	228,485	+89,576	4.376.136*	+1,473,305	12	25
Mo., Kansas & Texas	Feb.	482.018	—72.748	5,274,177*	—1,183,118	13	63
Missouri Pacific	Feb.	1,335.264	+663,081	8,439,955*	+638,081	None	83
National Rys. of Mexico	Feb.	1,611,852	—105,286	18,921,340*	+1,757,848	1st, 57; 2d, 240	149
N. Y. Central	Feb.	1,075,378	+150.136	2,682.297†	+577,484	None	222
N. Y., Chic. & St. L.	Feb.	186,968	+26,084	340,553†	+1,292	1st, 5; 2d, 11	14
N. Y., N. H. & H.	Feb.	1,539,419	+389,008	15.132.080*	+870,681	None	157
N. Y., Ont. & Western	Feb.	156,876	+66,853	1,533,605*	—198,345	None	58
Norfolk & Western	Feb.	956,061	+142,518	9,251,610*	+617,903	22	84
Northern Pacific	Feb.	1,492,739	+301,871	17,518,349*	—197,026	None	248
Pennsylvania R. R.	Feb.	2,502,078	+689,296	4,258,537†	+492,892	None	453
Pere Marquette	Feb.	def. 59,446	—90,643	2,326,324*	+77,392	12	16
Pitts., Cin., Chic. & St. L.	Feb.	626,362	+242,951	1,235,428†	+259,941	27	37
Reading	Feb.	168,933	+37,902	1,315,314*	+153,002	1st, 28; 2d, 42	70
Rock Island	Feb.	889,163	+87,347	9,764,708*	—1,860,875	49	90
Seaboard Air Line	Feb.	514,459	—34,839	3,698,690*	—415,858	23	37
St. L. & San Fran.	Feb.	1,041,199	—15,383	9,556,137*	+268,316	1st, 4; 2d, 15	28
St. L. Southwestern	Feb.	256,108	+89.975	2,535,919*	+328,426	19	16
Southern Pacific	Feb.	2,530,978	+26.040	27,775,802*	—2,533,148	None	272
Southern Railway	Feb.	1,440,111	+92,102	13,623,247*	+326,424	60	120
Texas & Pacific	Feb.	157,674	+43,112	461,944†	+84,056	None	38
Toledo, St. L. & Western	Feb.	47,721	—1,754	613,540*	—73,954	10	10
Union Pacific	Feb.	2,036,873	+414,978	22,667,986*	—2,901,866	99	216
Wabash	Feb.	205,480	—161,663	4.584,694*	—1,095,661	39	53
Western Maryland	Jan.	118,917	—69,130	1,356,020*	—162,206	10	49
Wheeling & Lake Erie	Feb.	182,555	+71,646	1,790,700*	+431,886	1st, 4; 2d, 11	20
Wisconsin Central	Jan.	105,124	—7,398	1,441.548*	+170.095	11	16

*Fiscal yr. ends June 30. †Fiscal yr. ends Dec. 31.

THE BARGAIN INDICATOR

Comparative Earnings of Important Stocks

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvement of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table only. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. Latest earnings will be found in table of "Monthly Net Earnings" or "Investment Digest."

RAILROADS

	Present div. rate.	Earnings on par for fiscal year ending on any date during 1906.	1907.	1908.	1909.	1910.	1911.	Present price.	Earnings last fisc. yr. on pres. pc.	Notes.
Hocking Valley com........	6	9.9	11.2	6.0	8.3	18.2	18.5	127	14.6	Very inactive. Controlled by Ches. & O.
Colorado & Southern com.	2	3.5	4.5	4.8	4.9	7.3	5.2	45	11.6	Controlled by C., B. & Q. (Hill management).
Denver & Rio Grande pfd..	0	8.1	9.1	7.7	6.6	8.3	4.7	42	11.2	Contr. and finances W. Pac., wh. doesn't earn fxd. chgs.
Twin City Rapid Tran. com.	6	8.1	8.2	8.3	9.9	10.9	11.0	106	10.4	
Southern Railway com.....	0	1.9	—0.6	—2.2	0.5	2.3	3.1	30	10.3	
Lehigh Valley com........	10	18.2	20.0	19.2	15.4	23.0	16.5	165	10.0	Jan., 1912, ex. div. 10% and rights eq. abt. 8%.
Kansas City Southern com.	0	0.3	5.4	2.6	3.4	2.2	2.7	28	9.6	
Union Pacific com.........	10	14.2	16.5	16.2	19.1	19.2	16.6	172	9.6	Holds $307,106,000 secur. of other cos.
Atlantic Coast Line.......	7	10.8	6.3	5.6	9.4	12.0	12.8	142	9.0	Holds control of Louisville & N. by stock ownership.
Louisville & Nashville.....	7	10.6	10.7	7.5	14.3	17.3	14.2	160	8.9	Controlled by Atl. Coast Line.
Atchison com..............	6	11.8	15.0	7.7	12.1	8.9	9.3	108	8.6	
Southern Pacific com......	6	8.1	12.5	7.4	10.2	13.0	9.6	113	8.5	
Reading com..............	6	13.9	13.0	12.7	13.2	16.1	13.8	165	8.4	Including additions and betterments. Controls Jersey Cen.
Brooklyn Rapid Transit....	5	4.8	4.4	4.1	4.2	5.6	6.8	83	8.2	Subways will doubtless enlarge earns. eventually.
Norfolk & Western.........	6	9.7	9.0	7.1	8.7	11.6	9.0	113	8.0	Controlled by Penna.
Illinois Central	7	....	....	8.4	7.4	7.1	10.3	131	8.0	Div. paid since 1863.
Buffalo, Roch. & Pitts. com	5	8.6	8.7	6.2	6.3	7.3	8.0	105	7.6	Pfd. and com. share equally above 6%.
Delaware & Hudson.......	9	12.6	15.2	12.4	12.2	12.5	12.3	171	7.2	
Canadian Pacific	10¼	14.1	13.7	10.6	8.6	16.0	17.3	252	6.9	Div., 1911, 7% R. R., 3¼% land sales, rights eq. abt. 8%.
Pennsylvania Lines	6	11.7	10.7	9.0	11.0	9.3	8.6	125	6.9	Has paid divs. since 1856.
Erie com..................	0	2.2	3.0	—3.7	0.3	2.9	2.5	37	6.8	Actual earns. before approp. eq. 3½%.
Northern Pacific com......	7	14.5	15.1	12.8	10.7	9.0	8.2	121	6.8	Large equities in lands and C., B. & Q.
Pittsb., C., C. & St. L. com	5	8.6	8.8	7.2	9.8	6.1	7.0	105	6.7	Controlled by Penna Co. Pfd. and com. share above 5%.
Mo., Kansas & Texas com.	0	1.8	5.0	0.4	0.7	0.8	2.0	30	6.7	
Rock Island Co. pfd.......	0	....	....	....	....	1.6	3.8	57	6.7	R. I. Co. owns 94% of stock of R. I. Lines.
Baltimore & Ohio.........	6	12.6	9.9	5.1	7.1	8.9	6.9	107	6.5	
Chic., Mil. & St. Paul com.	5	12.3	10.5	9.5	7.2	8.0	7.1	111	6.4	
Chesapeake & Ohio.........	5	7.3	5.4	4.4	6.4	10.0	5.1	80	6.4	1911 earns. reduced by Chicago exten.
Great Northern pfd.......	7	13.0	11.8	7.1	8.3	8.5	8.3	132	6.3	Has large equity in C., B. & Q. and Canadian extensions.
Del., Lack. & Western.....	20	22.2	38.5	40.8	52.8	35.4	31.8	556	5.7	"Other inc." reduced acct. segregation Coal Co.
Chicago & Northwest'n com	7	14.8	12.7	11.2	11.4	7.7	8.0	143	5.6	
N. Y., New Haven & Hart.	8	12.2	9.2	5.4	7.4	10.3	7.1	139	5.1	Div. reduction under discussion.
Chicago Gt. Western pfd..	0	....	....	....	....	1.2	1.9	37	5.1	
N. Y., Ont. & Western....	2	2.0	2.8	2.6	2.3	2.3	2.0	40	5.0	
New York Central.........	5	4.6	6.2	5.1	7.7	6.4	5.7	118	4.8	Recently reduced div. to 5%.
Clev., C., C. & St. L. com.	0	4.1	3.1	0.4	4.8	2.1	2.8	59	4.7	
St. Louis S. W. com.......	0	—2.7	3.7	—4.2	—2.5	—1.1	1.4	33	4.2	
Minn. & St. Louis pfd....	0	10.4	7.8	2.7	—2.4	1.9	1.9	49	3.9	
Minn., St. P. & S. S. M. com	7	11.7	9.6	8.4	8.8	15.7	5.3	142	3.7	Contr. by Can. Pac. Pfd. and com. share above 7%.
Chicago & Alton pfd......	0	4.9	9.0	6.5	8.2	5.4	0.6	50	1.2	Contr. by Tol., St. L. & W.
Wabash pfd...............	0	—5.4	0.9	0.3	—0.5	1.3	—1.2	22	0	Now undergoing reorganization.
Western Maryland com....	0	....	....	....	....	0.9	0.4	63	0.6	New extensions will expand earnings.
Iowa Central pfd.........	0	4.2	7.8	3.8	—4.1	—0.4	—0.3	28	0	Controlled by Minn. & St. L.
Lake Erie & Western pfd..	0	3.1	2.0	—2.0	0.8	—0.2	—0.1	36	0	Controlled by Lake Shore.
Missouri Pacific	0	8.1	0.9	3.7	1.3	3.3	—6.3	44	0	Deficit chiefly due to adjustment of old claims.
Wisconsin Central com....	0	1.7	3.2	—0.6	0	2.5	—4.3	56	0	Leased to M., St. P. & S. S. M. (Can. Pac. system).

Preferred stocks earning more than the per cent. to which the dividend is limited, but now

Preferred stocks earning more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

	Present div. rate	1906.	1907.	1908.	1909.	1910.	1911.	Present price	Earnings last fisc. yr. on pres. pc.	Notes
Erie 2d pfd..............	0	19.4	24.9	—22.1	6.4	24.3	21.7	46	47.2	Entitled to 4% before com. divs.
St. L. & San Fran. 2d pfd.	0	13.2	24.7	1.6	8.2	5.8	8.3	41	20.2	Entitled to 4% before com. divs.
Erie 1st pfd..............	0	10.4	12.3	—3.4	6.1	12.1	11.2	56	20.0	Entitled to 4%.
Southern Railway pfd......	2	8.7	3.8	0.7	6.0	9.6	11.1	75	14.8	Entitled to 5%.
St. Louis S. W. pfd.......	4	2.8	7.9	1.6	2.9	4.1	6.1	76	8.0	Entitled to 5%.

INDUSTRIALS

	Present div. rate.	Earnings on par for fiscal year ending on any date during 1906.	1907.	1908.	1909.	1910.	1911.	1912.	Present price.	Earnings last fisc. yr. on pres. pc.	Notes.
Bethlehem Steel pfd.......	0	5.1	10.8	2.4	5.3	13.4	13.6	....	64	21.3	Has about completed large additions.
Am. Locomotive com.....	0	17.7	18.1	11.1	—3.1	1.3	7.3	....	43	17.0	
Inter. Harvester com......	5	5.1	6.5	7.8	17.8	14.8	20.0	....	118	17.0	1911 earnings estimated.
Am. Beet Sugar com......	5	2.1	1.0	4.2	7.0	7.3	10.9	....	65	16.9	
Westinghouse Electric com.	0	....	....	....	....	7.6	12.3	....	76	16.2	
Am. Malt Corp. pfd.......	4	2.8	—4.0	10.6	6.2	3.0	8.8	....	58	15.2	
Am. Agri. Chem. com.....	4	4.1	6.2	6.1	7.5	10.4	9.1	....	61	14.9	
U. S. Realty & Imp.......	5	4.8	6.0	7.7	9.2	9.7	9.4	....	77	12.2	Controls Geo. A. Fuller Construction Co.
General Chemical com.....	6	7.3	5.7	4.5	14.4	15.6	15.5	....	130	11.9	5% stock div. 1912.
Am. Car & Foundry com..	2	4.5	20.1	23.8	2.6	6.6	7.1	....	60	11.8	$600,000 set aside for com. divs.
Nat. Enam. & Stamp. com.	0	1.7	6.7	—2.1	1.1	1.7	1.8	....	16	11.2	
Colorado Fuel & Iron com	0	1.7	0.9	0.4	2.1	4.0	3.2	....	30	10.7	Pfd. in arrears amt. eq. to 4% on com. for 1 yr.
Sears, Roebuck com........	7	6.6	8.5	4.5	18.4	20.5	17.0	....	162	10.5	In 1911 p'd a 33⅓% stock div.
Republic Iron & Steel com.	0	3.8	8.5	2.0	0.7	4.6	2.5	....	24	10.4	Div. on pfd. passed last meet.
Distillers' Securities	2	6.4	7.8	1.5	2.2	2.3	3.1	....	32	9.7	Holds maj. U. S. Ind. Alcohol.
Inter. Paper pfd...........	2	8.9	7.2	7.3	2.7	4.5	5.3	....	56	9.5	6% cum. div. in arrears. Earn. last 6 mo. 1911, 4.6%.
Union Bag & Paper pfd...	4	7.3	7.0	7.4	6.2	5.4	5.5	5.3	59	9.0	In arrears on 7% cum. div.
Corn Products pfd........	5	....	7.2	8.5	8.2	6.9	7.0	....	82	8.5	Div. cumulative and in arrears.
U. S. Steel com...........	5	14.4	15.7	4.0	10.5	12.3	5.9	....	71	8.3	
People's Gas Light & Coke.	7	6.9	7.6	8.4	8.9	9.0	8.9	....	108	8.2	Ordinance reduc'g pc. of gas being contest. in courts.
General Electric	8	11.7	11.6	10.2	7.4	16.7	14.0	....	170	8.2	1911 earnings approximate.
Pacific Coast com..........	6	10.1	10.3	5.7	5.3	8.8	7.2	....	95	7.6	Com. and 2d pfd. share equally above 4%.
North American	5	3.2	4.7	4.8	6.0	6.2	6.2	....	84	7.4	
Am. Smelt. & Refining com	4	10.6	12.8	7.0	7.7	7.1	6.3	....	85	7.4	
Am. Woolen com..........	0	3.5	—3.3	—3.9	5.2	2.2	2.1	....	29	7.2	Subject to tariff adjustments.
Inter. Steam Pump com...	0	....	3.7	2.0	1.4	2.8	2.1	....	29	7.2	
Am. Sugar Refining com..	7	....	12.4	7.5	3.9	3.8	9.1	....	128	7.1	1911 earns. exclude $3,450,627 chgd. "improvements."
U. S. Cast Iron Pipe pfd..	0	14.0	14.7	5.4	1.2	4.4	3.9	....	56	7.0	
Am. Linseed pfd..........	0	....	....	....	5.8	4.5	2.6	....	39	6.7	
National Biscuit com......	7	7.1	7.6	8.1	7.4	7.7	9.8	10.0	150	6.7	Paid 2% extra on com. last fisc. yr.
Western Union	3	5.9	5.0	1.7	5.8	5.7	5.4	....	82	6.6	Control by Am. Tel. & Tel.
Va.-Carolina Chemical com.	3	4.8	5.9	3.7	7.1	10.4	3.1	....	50	6.2	Outlook favors cotton oil dept.
Utah Copper (par $10)....	30	....	5.9	23.3	29.5	34.6	39.7	....	$64	6.2	
National Lead com.........	3	5.3	6.0	5.8	6.2	4.3	3.6	....	58	6.2	
American Can pfd.........	5	5.1	6.4	6.6	6.7	6.8	7.1	....	116	6.1	Divs. in arrears. Chgd. deprec'n, 1911, $2,500,000.
Am. Tel. & Tel............	8	8.2	9.0	10.1	9.0	10.0	8.5	....	145	5.9	Large equities in sub. co. earnings.
Pittsburgh Coal pfd........	5	8.1	10.0	1.7	3.0	7.2	5.1	....	87	5.9	Divs. in arrears.
Pullman	8	14.7	11.6	9.8	10.9	11.6	9.3	....	161	5.8	
Consolidated Gas (N. Y.).	6	....	3.9	4.9	6.7	7.4	7.6	....	144	5.3	
Tenn. Copper (par $25)....	6	16.5	16.0	6.5	6.8	8.9	8.1	....	$41	4.9	Income chiefly from sulphuric acid.
Amalgamated Copper	4	5.9	9.2	4.3	2.4	3.9	3.9	....	83	4.7	Controls Anaconda and other Butte and Mex. mines.
U. S. Rubber com.........	4	4.1	4.4	0.2	4.0	7.8	2.2	....	55	4.0	Recently placed on div. basis.
Am. Hide & Leather pfd..	0	1.9	2.2	—0.1	11.2	—5.6	0.5	....	25	2.0	
Railway Steel Spring com.	0	8.7	8.6	—1.3	5.3	6.0	0.3	....	33	0.9	
Pressed Steel Car com....	0	17.2	13.3	—5.8	7.7	5.5	0.1	....	35	0.3	
Central Leather com......	0	0.4	0.4	1.3	6.3	—2.1	—5.1	....	26	0	
Pacific Mail	0	1.4	0.7	—2.1	—1.7	—1.1	—1.0	....	33	0	Contr. by So. Pac. Panama Canal should inc. earn.
Am. Steel Foundries......	0	5.9	14.0	0.3	0.1	6.1	—1.5	....	35	0	1911 earnings are 17 mos. Fisc. yr. changed.
Sloss-Sheffield com........	0	5.3	9.9	4.9	6.6	2.0	—0.6	....	49	0	
Am. Cotton Oil com......	2½	3.8	8.7	3.2	10.4	6.8	—1.2	....	53	0	Last div. passed. Low price cotton favorable.

The Investment Digest

THIS Digest is prepared from news appearing in the following publications: New York: *Bond Buyer; Financial News; Wall St. Journal; Financial America; Moody's Manual Supplement; Commercial and Financial Chronicle; Financial Age; Financial World; Railway Age Gazette; U. S. Investor; Commercial; Brooklyn Eagle; Leslie's Weekly; Evening Mail; Evening Post; Herald; Journal of Commerce; Sun; Times; Tribune.* Boston: *News Bureau; Commercial; Financial News; Transcript; Herald; Post.* Chicago: *Record-Herald; Tribune.* Philadelphia: *Financial Bulletin; Railway World; North American;* Pittsburgh *Dispatch;* Washington *Post;* Louisville *Courier-Journal;* New Orleans *Times-Democrat;* Baltimore *Sun;* St. Louis *Post-Dispatch;* Cincinnati *Commercial Tribune;* Cleveland *Commercial Bulletin;* Memphis *Commercial Appeal.* Kansas City: *Star; Journal;* Dallas *News;* Houston *Post;* Seattle *Times;* Toronto *Globe;* Montreal *Star;* Minneapolis *Commercial West;* Birmingham *Age-Herald;* San Francisco *Journal of Commerce;* Denver *Post;* Atlanta *Constitution;* London *Statist,* etc., etc. Also from the Financial Reviews of leading banking and Stock Exchange houses, too numerous to mention.

The sources of items are indicated as follows: *Leading financial and investment publications. †Banking and Stock Exchange houses. §From official sources. Neither THE MAGAZINE OF WALL STREET nor the above authorities guarantee the information, but it is from sources considered trustworthy. Owing to the vast amount of information condensed into these pages, many abbreviations are necessary.

Allis-Chalmers.—*Reorganization plan of Co. works out following results: For each $1,000 5% bond, a total value of $1,375 will be given, of which $1,000 will be new pref., $350 new common, and $25 the Jan. 1 coupon in cash. For each $100 par of pref. stock, upon payment of $20 in cash, a total value of $110, of which $20 will be new pref. and $90 new com. For each $100 par value of com. a total value of $45, of which $10 will be in new pref., after a $10 assessment, and $35 in new com. stock.—§Pres. of Co. says: "Recent economies in management, sales and patent expenses, will effect savings of between $400,000 and $500,000 per an. In readjustment of expenses, the simpler and more direct methods to be adopted, will produce results far in excess of anything possible under complicated system of the past. The average monthly invoicing during four and a half years referred to, was $1,221,253. In my opinion an increase of 50% could be easily handled, and ought to double net profits." Even under recent adverse conditions and greatly impaired credit, orders during past three mos. have aggregated $2,485,387.—*Orders received during March represented considerable improvement over previous mos.

Am. Agri. Chemical.—*All signs point to Co.'s having in year to June 30 next, the largest net earnings, and the biggest gross sales in its history. Competent authorities believe Co. will show 12% for com. The big selling period is March, April and May, when Co. makes 60% to 65% of a total year's sales. At a meeting of stockholders it was voted that pref. and com. stock be each increased to $50,000,000, making $100,000,000. Previous authorized capital stock was $32,000,000 pref. and $20,000,000 com. This formal authorization is preliminary to issuance of $6,000,000 new pref. to be offered to shareholders at par.

Am. Can.—*Co. is at present showing earnings at rate of 8% on its com., after allowing full 7% on the pref. There has been an inrush of new business since first of current year. Orders are larger than ever before handled, and prices allow a good margin of profit.—†In figuring earnings at rate of $8 per share per an. no consideration is given to depreciation, which is charged off at end of the year. Not only will pref. be put on 7% basis from present 5%, but something between 1% and 2% on back dividends will be declared, payable Jan. 1, 1913. Increased and back dividends on pref. will be paid out of earnings and in cash, no new financing or stock issues to be considered.

Am. Car & Foundry.—*For financial period just ending, Co. will earn 7% dividend on the $30,000,000, with balance for com. of at least 4%. This is a remarkable record when fact is borne in mind that during 1911 car building Co.'s turned out less than 60,000 freight cars, and but 2,600 passenger cars, hardly 50% of Am. Car & maximum capacity. A banker says Am. Car & F. com. has earned the right to be classed as something better than a speculative issue. During past four years of the most severe and protracted depression the equipment industry has ever known, this property has been able to earn and pay a 2% dividend on its $30,000,000 com., without once having recourse to a com. dividend reserve fund, set aside 3 years ago, to provide for an anticipated slump in profits. It has demonstrated its ability to take care of pref., even in most acute periods of poor business, largely due to keeping com. dividends on modest basis, and turning year after year 50% to 60% of net profits back into the property, or for use as additional working capital. Co. is more often a lender of money than a borrower.

Am. Malt.—*Co. is in excellent financial position, with working capital in excess of $5,500,000, or about twice the amount of bonds outstanding, and is piling up earnings which probably will make 1912 as good, if not better, than the record year of 1908, when profits of $1,319,999 were shown. These will compare with $1,081,778 for the 1911 fiscal term ended Aug. 31, and $549,156 in 1910. There has been a substantial increase in value of real estate owned by Co., and experts figure a book value of $70 a share for Malt pref., on which 19% cumulative dividends are due. There has been paid in dividends on this stock since 1907, 14%, so that in past four years holders have averaged 4½% a year.

Am. Smelting.—*Those who control Smelting Co. and Securities Co. consider them now one corporation, a sort of financial wedlock. Intention has always been to amalgamate, but complete consolidation cannot be effected, until Securities Co. outstanding pref. is retired.—*Report of Co. for year ended Dec. 31 last, does not throw any light on operations of the Smelting Co. or the Securities Co., whose earnings are included in the statement, but consolidated statement of both Co's successfully defies analysis and comparison. Apparently earnings showed up fairly, the balance for com. being equal to 10.9%. This includes earnings of Securities Co. March 6 book value of Exploration Co. was $278 a share. Since then there has been an increase in Utah Copper shares, of which Exploration Co. owns 404,504, an increase of $2,500,000 in valuation over last mo. Book valuation of holdings of Exploration Co. was approximately $58,000,000. At present it must be $65,000,000, or treble the capitalization of $22,000,000. Exploration Co. will take action on change of par value of stock from $100 to $25 a share, which will give shareholders four shares new stock for one old.

Am. Steel Foundries.—*Co. has paid the penalty of distributing dividends which were unwarranted by its financial condition. As a result, March orders that mo., being the best in a year, plants are running at 60% of capacity, or an increase of 10% within past thirty days, in addition, there is business now on hand booked for several mos. ahead.

Am. Sugar & Ref.—*While unreasonable to expect that Co. can duplicate in 1912, its remarkable record of earnings established in 1911, of 24.3% for the $45,000,000 com., competent authorities believe Co. has now reached position where com. share profits should average between 12% and 15% year in and out. The 1911 income account contained a profit of $1,487,351 realized from sale of certain beet sugar stocks. This will not be duplicated this year. It is also safe to deduct at least $700,000 from income derived from interest and dividends on investments. That item totaled $3,241,106 in 1911. This year it will probably not exceed $2,500,000. Interest on loans and deposits of $520,000 is a stable item, and will not vary from year to year. This leaves the big source of earnings—profits from sugar refinery operations—to consider. This profit reached the astonishing proportions of $8,834,200 in 1911.

Am. Tel. & Tel.—*On Dec. 31 last the N. Y. Tel. Co., owned by A. T. & T., closed the most successful fiscal period on record. Balance for dividends was equal to 10.26% on $125,000,000 stock outstanding, compared with 9.87% in year previous, and 11.19% on $85,672,800 stock in 1909. At close of last fiscal year N. Y. Tel. had net working capital of nearly $20,000,000. Co. does not state its equity in earnings of subsidiary properties. It is understood that this is about $6,000,000. This added to dividend balance of parent Co. of $27,733,265 makes $33,700,000, equal to 12.1% on average capital of $277,000,000 outstanding during year. Computed on same basis, 12.7% in 1911, and 11.1% in 1909, Am. Tel. has 50% margin of safety behind its dividend. As of Dec. 31, 1911, Co. was carrying cash advances of $52,737,804 to its associated companies in addition to purchases of their securities.

Am. Woolen.—*The 35 mills of Co. are operating on average of 90% of capacity, and is practically sold into mid-summer. Of 8,000 looms, it is estimated that 4,000 are so busy that orders on certain lines are being turned down. Activity is in all directions. At current rate, sales for first half year will be from 15% to 20% ahead of last year. Co. bought about 10,000,000 lbs. of wool in Dec., and, based upon present worsted yarn quotations, this wool would yield a handsome profit. Co. should in 1912 experience a genuinely prosperous year—the first since 1909.

Assets Realization.—*Balance sheet as of Dec. 31 last, shows cash on hand and in banks $683,845, and undivided profits $790,910. Earnings for current year thus far, have exceeded earnings for corresponding period 1911. The old com. and pref. having been retired. Co. has now outstanding at par $10,000,000 single class stock. As result of conversion $3,500,000 new money was paid into treasury.

Atchison.—*Feb. statement was the most satisfactory of the fiscal year. Gross increased $531,231, or 6½%, and practically all of this, or $526,313, was saved for net. This shows effect of better business in the territory of Co. as well as much easier operating conditions. The net increase brings down total loss in operating income for year to about $2,000,000, and insures earnings on com. stock to June 30 equal to better than 8%. The worst that Atchison has to fear in next 3 mos. is damaging floods in Kansas, Oklahoma and Texas.

Baltimore & Ohio.—*Co.'s investment in Reading is worth to it now, about $36,000,000. It has appreciated in value over $4,500,000 in past six mos. The profit on original purchase is understood to be between $12,000,000 and $15,000,000. This equity, and progressive profit, have had something to do with recent strength in B. & O. com. stock. March earnings are understood to have been very satisfactory.—†Earnings for 8 mos. of current fiscal year, show increase in net $1,767,000.

This means, surplus above interest charges and dividend, is running at rate of about $3,000,000 per an.—*Co. has ample equipment, and could handle its fall trade, even should latter prove exceptionally large. Since 1905 number of locomotives has increased 48%. Freight cars increased 39%, which has been done without burdening the road, and June 30 last, cost of "conducting transportation" has been reduced about 8%. This means com. stock should earn about 8½% in comparison with 6.87% last year.

Bethlehem Steel.—*While other Cos. were showing large losses in volume of business, net profits, and balance for dividends, Beth. experienced one of its most prosperous years. Orders booked during year amounted to $28,607,500, a decrease of but $900,000, compared with 1910, and an increase of nearly 100% compared with 1908. After deducting $2,850,000 from income for repairs, maintenance, etc., Co. showed net manufacturing profits of $4,392,200, an increase of $175,000 over 1910, the best previous year. Net profits have more than doubled, compared with 1908, and balance for dividends was $2,038,979, equivalent to $6.70 per share on the $14,862,000 com., after allowing for 7% on pref. In 1910 Co. earned $6.45 on com. Balance sheet as of Dec. 31 shows but small working capital. Liquid assets, including $1,412,000 cash on hand, amounted to $7,190,000, and exceeded current liabilities by about $200,000. Pres. Schwab states, Plan of refunding existing bonds and notes by consolidated mortgage bond issue, has been under consideration, but unfavorable bond market prevented consummation. Plans are under way for absorption of Chicago Tool Co. Under arrangement Beth. will guarantee 5% dividends on $6,448,-800 stock of Tool Co., which is now controlled by C. M. Schwab, who also controls Beth. Dividends on Tool Co. are 1% quarterly, but earnings over last two years have averaged over 9%.

Brooklyn Rapid Transit.—*During first three quarters of current year, gross has increased about $910,000, which is at rate of $1,200,000 per an., compared with $877,000 for full 1911 fiscal year. This is an improvement of 35%, and if maintained throughout remaining three mos., will make 1912 the best year in point of growth of gross since 1906, a record year.

Chesapeake & Ohio.—*At end of Jan. Co. was $75,371 behind last year in gross earnings, but business has improved to such extent since, that at end of first week in March, gross revenue for year was $286,780 ahead of earnings for corresponding period year ago. Feb. was an excellent mo., and most of gain in gross is expected to be saved for net. March started exceedingly well. Operating income for 7 mos. ended Jan. 31, $6,191,139, was $121,630 less than for 1911, and the loss was about evenly divided between decreased gross earnings and increased operating expenses. A greater proportion of loss in business was due to smaller passenger earnings, and since been more than made up. In 7 mos. Co. earned its dividend with an estimated margin of about $350,000 to spare. Estimated earnings were equal to about 3.5% on stock. Dividends are at rate of 5% per an. Co. this year is feeling the full interest charges on the $16,000,000 4½% notes. But to effect this increase, both Hocking Valley, and Kanawha & Michigan are doing more than pay their board. Hocking is paying 6%, an increase of 2% per an., and Kanawha is paying dividends at rate of 5%. Increase in dividend rates of these roads means about $220,271 to C. & O. yearly.

Chgo. Mil. & St. Paul.—*Earnings of St. Paul for Feb. were in every respect more favorable. Operating revenues were nearly $5,000,000, against $4,256,000 in Jan., and operating income $651,265, against $249,565. Feb. returns of entire system were sufficient to meet all operating expenses, taxes and one month's proportion of interest charges, with surplus to spare about $43,000. This compares with an actual deficit by the system in Jan. of over $547,000. Up to the close of Feb. total surplus over interest charges by the system, was approximately $6,000,000. St. Paul reports a lower transportation cost, which on basis of gross earnings reported, promises to effect a saving of $1,000,000 for the year to June 30 next. This is an important item, when considered that gross has declined $2,238,900 in 8 mos. to Feb., and net earnings in 1911, barely sufficient to cover dividends on the common on 7% basis, have fallen in same period $891,-000, in addition to expectations that Puget Sound will contribute about $3,000,000 less this year than last.

Chicago & Northwestern.—*Operating revenues for Feb. were $5,347,785, an increase of $206,346, but operating expenses increased $626,373 to $4,700,354, making operating ratio nearly 88%. For net, there was left only $647,431, a decrease of $420,027. Fixed charges take $857,129, which means excluding "other income," the road earned a deficit from operation of $209,698. "Other income," however, amounted to $621,866, so that Co. was able to show a surplus for mo. of $412,168. Surplus for 8 mos. ended with Feb. was $7,492,814, a decrease of $1,018,859. Recently the "Omaha," a large part of whose stock is owned by Northwestern, in Feb. statement likewise showed a deficit.

Colo. Fuel & Iron.—*Indications are that Co. will show surplus for year ending June 30 of about $1,500,000, an improvement over last year with its surplus of $1,260,000. Earnings for 8 mos. of fiscal year are about $126,000 ahead of last year. Its rail mills are operating at fullest capacity, and orders on books at present are for capacity, nearly 12 mos. ahead. No decision has been reached in reference to accumulated back pref. dividends.

Colorado & Southern.—*Although Co. lost $1,517,921 in gross in 8 mos. of current fiscal year Feb. 29, compared with 8 mos. of year previous, surplus for dividends did not suffer proportional loss. The surplus for all

dividends totaled $1,486,199, compared with $1,870,801 last year. Allowing for 8 mos. pref. dividends, surplus left was equal to 3.33% on the $31,000,000 com., which is paying 2% annually.

Consolidated Gas.—*Co. is earning more than at any previous time. In view of this, efforts of certain trustees are made to have Co. declare an extra dividend of 1%, in order to begin making up average rate of 6% since 1905 (8½% in all). This year, through residual contracts at higher prices and from the gas appliance business, a clear profit additional to earnings from sale of gas of $3,500,000 is expected. N. Y. Edison will make a clear profit of over $9,000,000. Cons. Gas is more prosperous under 80-cent gas, and lowered electric current rates, than any time in Co.'s history.

Corn Products.—*It is estimated that the earnings for past year are within $70,000 of previous year. Important developments affecting Co. are expected before close of year. The physical and financial position is stronger than at any time since organization, and prospects are that pref. will go on a 7% basis if earnings justify such action. There is also likelihood of back dividends on pref. being satisfied, probably by issuance of negotiable security. Last year Co. sold 400,000,000 packages. Sales of products are being pushed vigorously in almost every country on the globe.

Crucible Steel.—*Plants of Co. are operrating at about 75% of capacity. Co. booked large volume of business during March, but this mo. influx of orders has not come up to expectations. Co. is making extensive additions to plant, also to its projectile mill.

Delaware & Hudson.—*The most conspicuous feature of Co.'s operations in its 1911 calendar year, was its remarkable stability of earnings as compared with preceding years. Gross for first time in history of road, crossed the $21,000,000 mark, the increase over previous year having been $990,016, or 4.8%. Operating expenses were some $559,872, or 4.7% larger, leaving net earnings of $8,663,657, or $430,144 ahead of last year. Total net income from both coal and railroad departments, was $9,825,348, which after deduction of $4,585,667 for interest charges, rentals, etc., left surplus applicable to dividends on the $42,503,000 outstanding capital stock $5,237,681, or 12.32%, contrasted with 12.54% in 1910.

Denver & Rio Grande.—*In case stockholders authorize $25,000,000 7% adjustment bonds due Apr. 1, 1932, they will be given privilege of subscribing to $10,000,000 proportioned to their holdings. Holders of record on May 11, will be entitled to subscribe until June 1. Co. still lacks adequate rolling stock to meet present necessities of traffic. Out of proceeds of bond sale it is proposed to use $2,500,000 for acquisition of obligations of Western Pacific. A syndicate has been formed to underwrite the issue of $10,000,000.

Erie.—†Disappointment has been expressed at Feb. showing, owing to fact that while gross earnings increased $330,000 or more than 8%, net after expenses and taxes, declined $123,000, or more than 13%. Business in Feb. was largest Co. ever reported for that mo. Had management so desired, Erie could have shown a substantial increase in net, being a simple matter to reduce maintenance and other expenses, but policy of disregarding temporary poor net returns, and making large expenditures for improvement transportation facilities is being strictly adhered to.—*F. D. Underwood, pres. of Erie, says, If Canadian Northern constructs a line to Niagara Falls as reported, it can come into N. Y. over the Erie, if Co. makes satisfactory terms.

General Elec.—*The recent breaking up of National Lamp Co. has obliged G. E. to take over a large number of plants in different parts of the country, and operate them directly as G. E. factories. The forthcoming annual statement will show dividend balance for the $77,000,000 stock, nearly 14%. The year's net profits were close to $11,000,000, compared with $10,855,692 in 1910, but 1910 earnings were computed on $65,179,000 stock. The increase of over $12,000,000 represents conversion of bonds par for par. Co. has been getting less than $75,000 in dividends from a Co. earning 12 to 15 times that amount. Consolidation means that all of this excess ($1,100,000 of Lamp Cos. net) now becomes G. E. net, and swells earnings of the old parent Co.

General Motors.—*Gross sales for Feb. and up to Mar. 25 were $9,000,000. Daily receipts for several weeks have been $10,000 per day ahead of last year. One recent day gross receipts totaled over $700,000. The next two mos., it is probable, will show average daily cash receipts of over $200,000. Co. has sold every one of the 40,000 cars that it will make during current fiscal year to end Sept. 30. The management treats as sales only cars for which it has received the actual cash.

Great Northern.—*At end of 8 mos. of current fiscal year, Co. had earned dividend requirements for full year, with something to spare, and it is almost assured that it will end fiscal year with a larger percentage earned than in any year since 1907, when 11.95% was returned. But then only $149,915,500 stock was outstanding, while now it is $209,981,875. The actual amount of surplus this year will almost certainly exceed amount shown in 1907. Feb.'s gain in gross was all saved for net, expenses decreasing $4,000. Maintenance of way for 8 mos. was $925,340 lower than last year.

Hall Signal.—*Reorganization committee has drawn up plan of readjustment, which provides that a new corporation be formed to acquire Hall Signal Co. subject to its present first mortgage of $250,000, to be capitalized as follows: $1,000,000 6% 20-year debenture bonds callable at par, and convertible into pref. stock at par, $2,000,000 7% cumulative pref., and $3,000,000 com. stock. Stockholders who deposited shares under earlier directions will have right of subscribing at par for new

pref. to extent of 50% of present holdings. With this, will be given a bonus in new com. stock, equivalent to number of shares owned at present.

Harriman Lines.—†Operations of Union Pac. in Feb. were highly favorable, with gross increase $570,000, or a little over 10%. This is the largest increase in gross in many mos. past.

During 8 mos. of current fiscal year to end of Feb., net earnings of So. Pac. declined $2,633,000, but this has served to emphasize stability of Co.'s dividend. Co. earned approximately 6½%, which is at the rate of 9¼% for full year. Such is the protection of the Harriman lines' dividends, that even a 11% decline in net for Union, and 8.3% for Sou. Pac. do not endanger existing rates.

Illinois Cen.—†In 7 mos. to end of Jan. net earnings amounted to $4,246,000, against $9,546,000 for corresponding mos. year ago, a decrease of $5,300,000 in Jan. was the worst. In that period operating expenses and taxes were not earned by $266,000. This decrease is due to strike of shop employees, which has been in force since first of Oct., and has been a very heavy burden. Not only has Co. lost business, but has increased expense of operation. In addition, weather conditions have been the most severe Co. has ever experienced. From now to end of year earnings should show considerable improvement, and part of loss should be offset in last quarter of fiscal year. It is practically certain that Co. will not earn its pref. dividend for full fiscal period, but as conditions which caused the deficit are but temporary, the full 7% rate will be continued indefinitely.

Inter. Merc. Marine.—*Its fiscal year closed Dec. 31, but earnings will not be known until latter part of June. It has been unofficially estimated that there will be a surplus of about $4,500,000, but this will not be available, as Co. will undoubtedly write off at least $3,500,000 again for depreciation. Gross will approximate $38,000,000, practically same as 1910. There is over 60% accumulated in dividends on the 6% pref., and the com. has never received a dividend.

Inter Paper.—†We are informed that Co. will shortly place the 7% pref. stock, upon which 13% in back dividends has accumulated, upon a 4% basis, as against 2% which has been paid for some time. Co. is now earning full 7% dividends, and there is every reason to anticipate that the pref. will be back on a 7% basis.

Lackawanna Steel.—*The report for quarter ended Mar. 31 reflects very low prices for material. Co. reported a deficit after charges, depreciation and renewals of $450,772, a decrease of $486,502, compared with corresponding quarter of 1911. The deficit was at rate of more than $1,800,000 a year. For nine mos. Co. reported a surplus of $147,644, and a surplus for entire year $82,803.

Min., St. Paul & S. Ste. Marie.—*For first seven mos. of current year earnings have increased to high level of two years ago. If gross is sustained at present rate of increase, "Soo" will show gross $16,700,000, which would compare with $13,135,918 in 1911 and $15,407,179 in 1910. Maintenance charges not likely to be increased over last year. Total expenditures may be about $10,525,000. These figures indicate operating ratio of 63%, and compare favorably with 1911 of 68.2%. Net on this basis should be little over $6,200,000. During current year "Soo" will have to earn, besides increase of between 5% and 6% for charges an additional $460,040 for dividends on new $2,187,400 pref., and $4,374,800 com. Other income will likely amount to $1,200,000, increasing net $6,200,000, or total income of $7,400,000. Fixed charges will increase over last year's $3,841,690, to $4,036,690, leaving balance for dividends $3,363,310. Total dividend requirements will be $2,647,500, leaving final surplus $715,810, which will contain the deficit of $355,933 in 1911.

Mo. Kan. & Texas.—*Although Co. has had a hard year, officials say, the pref. dividend of 4% will be earned, but there will be little to spare. Last year, after pref. dividends had been taken care of, there was a balance equal to 1.98% on the $63,300,300 com. stock. No dividends are paid on this stock. In 8 mos. ended Feb. 29, Co. suffered a loss of about $500,000 in gross, and net after taxes, was $1,239,142 less than for the 8 mos. of year previous. Operating expenses have increased, and interest charges are higher this year. Earnings of the Texas Cen. acquired by "Katy" in 1910, will show about 4% on its $4,000,000 stock, of which $1,325,000 is pref., paying 5%, and $2,675,000 com. receiving no dividends. Practically all of the com. is owned by controlling Co.

Missouri Pacific.—*The M. P. system reports gross increase of $479,000 in Feb. Net increased $663,000. Almost entire increase in gross was on freight, amounting to $467,000. For 8 mos. to Feb. 29 the increase in freight was $1,195,885. Included in returns to date, results for Feb. have brought total gross increase to $1,236,716, while decrease of $25,000 in net, for first 7 mos., has been converted into an increase of $638,081 for 8 mos. Co. appears to have earned charges for the mo. with an excess of $50,000, although for 8 mos. there is a deficit of about $1,650,000 after charges. Pres. Bush says, Co. has unexpended in treasury, $4,500,000 of improvement funds secured in 1910 from sale of $20,000,000 notes. Proceeds of present sale will bring total to $9,500,000, and Co. can still draw on Gould estate for $2,000,000, balance of $3,000,000 the estate in 1910 pledged itself to furnish. These sources will give about $11,500,000 to complete present plans. The property should by 1914 have reached a physical standard as satisfactory as many other large systems west of the Mississippi.

National Biscuit.—†It is stated that Co. is now making new high records almost daily, and will undoubtedly go upon a 10% dividend basis. Co. has built two new plants out of

earnings, and is now getting the benefit of enlarged earnings from these new plants.

National Lead.—*The balance sheet as of Dec. 31, 1911, shows net of $72,709. Co. now has an insurance fund amounting to $627,953; this fund is kept separate, therefore not shown in balance sheet. The trouble which caused slump about a year ago was a succession of very poor crops of flaxseed, and consequent high prices of seed and linseed oil. The fall in price means material saving to the Lead Co. in manufacture of paint, as linseed oil is, next to lead, the principal ingredient of paint. The present level is 20% below average of last year.

New York Air Brake.—*Co. holds next regular monthly meeting Apr. 17, the first date question of resumption of dividends would officially come up. The large improvement in business, and orders in hand, coupled with fact that railroads are certain to need much new equipment this fall, indicates more prosperous condition for air brake Cos. Last previous dividend was declared June 21, 1911, which made 4½% for year 1911. Earnings in that year were only ½ of 1%. Co. paid 3% in 1910, nothing in 1909 and 1908, and 8% in each year from 1899 to 1907. Co. booked more orders in Nov. and Dec., 1911, than in any of ten preceding mos.

N. Y. Central.—†If semi-official information is correct, N. Y. Cen. means to merge its subsidiaries with parent Co. and at present is acquiring blocks of stocks of these subsidiaries. It would seem poor policy on part of Cen. to increase dividends on any subsidiaries at present, as Co. would be forced to pay higher prices for the stock. —*Gross earnings for Feb. increased 10% or $1,871,462. The largest contributions to gross were, $550,893 by Lake Shore, $425,000 by N. Y. Cen. proper, $240,733 by Pitts. and Lake Erie, and $171,000 by the Big Four. The application of Cen. to acquire majority of stock Ont. & West. has been denied by the Pub. Service Com. Majority is now owned by N. Y. N. H. & Hartford. There is pending, an application of the New Haven, for permission to acquire stock of the Rutland, now owned by N. Y. Cen.—Co. will issue $16,000,000 4% 30-year defenture bonds to pay for stock of Rome, Water, Ogdensburg and Utica & Black River. The purchase of those stocks has just been authorized.

N. Y. N. H. & Hartford.—*With exception of Feb. gross earnings of the N. H. system were largest for any mo. in its history, amounting to increase of $850,000 over same mo. year ago. On the N. H. lines proper, gross increase was $600,000, but Co. was not able to save all for net. Congestion at western junction points, resulting from severities of winter, called for extraordinary expenses in rushing traffic since first of Feb., and cost $25,000 to move every $100,000 of increased traffic. Western roads are delivering to Boston & Maine between 950 and 1,000 cars per day, compared with 650 to 700 cars a year ago. Since first of March gross earnings on N. H. lines, have been increasing at rate of $20,000 per day. The increase in Feb. of $666,000 in gross and $347,000 in net brings total increase in gross for 8 mos. up to $1,369,000 and net $797,000, and as business shows consistent improvement, Co. will wipe out deficit of $1,267,000 reported last year. For six mos. ended Dec. 31, combined income account for N. H. and all allied Cos. shows balance over dividends $1,504,000, a gain in net about $1,800,000. This situation would make improbable any reduction of dividend rate in near future.

N. Y. Railways.—*Earnings of system for first 6 mos. of current fiscal year showed between 1.5% and 2% earned for the 5% income bonds, after deduction prior charges, including interest on the new 4% real estate and refunding mortgages, and sinking fund charges. Earnings in last half of year will not be up to first half. Those most closely associated with reorganization estimate that for year, surplus for interest on $16,768,100 new refunding bonds and $31,933,400 adjustment incomes, will be about $1,800,000, or equivalent to 3.5% on income bonds after payment of full interest on refunding 4s.

Norfolk & Western.—*Although Co. has reported earnings for but 8 mos. of current fiscal year, statement shows that Co. earned in that period both pref. dividend, and 6% com. dividends for full year. In 8 mos. to end of Feb. Co. showed gain nearly $2,000,000, or more than 8%. Net gained $618,000. It requires $5,936,000 to cover 4% pref. dividend and 6% an. dividend on com. In 8 mos. surplus for dividends totaled $6,119,000. Movement of coal only limited by number of cars available. In consequence earnings are running to record figures.

Northern Pacific.—*In statement of earnings for Feb. it is shown that volume of freight handled, was much larger than corresponding mo. of previous year, the revenues from that source increasing $310,651. The operating expenses were $107,475 smaller for Feb., 1912, than for same mo. of 1911. The increase in gross and decrease in operating expenses, resulted in expansion in net of $301,871, which is regarded as very satisfactory. For first 8 mos. of present fiscal year, official figures show that gross earnings were $2,140,630 smaller, than for corresponding period of previous year. Of this amount $1,562,313 represented falling off in passenger earnings. As against loss in gross, there was a decrease of nearly $2,000,000 in operating expenses, which brought falling off in net down to $200,000 and decrease in net income to a trifle less than $290,000.

Pere Marquette.—*J. P. Morgan & Co. say, of appointment of receiver, following refusal of Michigan R. R. com. to approve

$4,000,000 bond issue: "Owing to the final refusal to permit Co. to carry out arrangements which it had made, for borrowing money to meet maturing obligations, it became necessary that receivers be appointed so that interests of all creditors might be protected." The receivership comes at a critical period. Another mo. would probably have shown a marked improvement in earnings, with better prospects ahead.

Pressed Steel Car.—*For year ended Dec. 31, 1910, the pref. stock earned 12.55%, and the com. 5.55%. The demand for steel cars has increased very rapidly of late. Prior to 1902 there was hardly a steel car, but now the new coal cars of all best roads are of steel, while steel passenger cars are coming into general use.

Reading.—*Rush of coal to tidewater counted heavily, and with four mos. of year to be heard from, it seems certain that the 12.1% earned for the $70,000,000 com. last year will be exceeded in 1912 by substantial margin. After charging expenses of railway with renewal expenditures, Co. earned $6,288,471 for dividends in eight mos. to end of Feb. Deducting pref. dividends, there remains for com. $4,421,804 or 6.3%, against 4½% earned last year. Only when Coal & Iron Co.'s output runs high does the Co. make anything substantial on coal operations.

Ry. Steel Spring.—*The report for fiscal year ended Dec. 31 last, reflects dullness during greater portion of the 12 mos. There was a falling off in gross of about $4,000,000, while net dropped about $1,000,000 from 1910. After pref. dividends, there was available less than 1% for the com., compared with more than 6% in previous year.

Republic Steel.—†Co. is now turning out finished steel at rate of approximately 950,000 tons per an. March earnings were poorer than in either Feb. or Jan. On basis of prices now prevailing, net profits do not amount to more than $1.50 or $2 per ton of finished steel. A trade authority estimates that net available for dividends, is not now in excess of $90,000 per mo. or $1,080,000 per an. This is at rate of 4.3% per an. on pref. stock.

Seaboard Air Line.—*In year end. June 30, 1911, gross and net earnings were easily largest in its history. After deducting charges on bonds, there was a balance of about $3,000,000 applicable to interest on adjustment bonds. Interest on this issue calls for $1,250,000 annually, the 5% was earned and paid in full, with a comfortable margin to spare. In the six mos. since close of fiscal year, gross earnings increased $848,000; net shows a slight falling off ($82,000), but maintenance expense during period increased $390,000 over previous year. Upon recent declaration of regular dividend on Western Maryland pref., dividend on Seaboard pref. might be expected, as dominant interest of Maryland controls Seaboard. W. Maryland earned one and one-eighth times fixed interest charges, whereas Seaboard earned more than twice fixed interest. Security-holders of Seaboard insist that Co. is in better position than W. Maryland to pay dividends on pref. stock. Seaboard has large amount of refunding 4s in its treasury, whereas W. Maryland 4% mortgage is a closed one, it is reasonable to expect that policy will be, to begin paying regular dividends on Seaboard pref., when there is a turn in Co.'s earnings. It is claimed that circumstances do not justify the disparity disclosed in market prices.

Sears-Roebuck.—*With sales amounting to $20,218,297 for first 3 mos. of 1912, the record year, will be far outdistanced if business continues at present rate. In 1911, business reached over $64,000,000. At same rate as first quarter 1912 sales will aggregate $80,000,000.

Sloss-Sheffield.—*Co. is operating about 60% of capacity. For first time in ten years Co. failed to earn its pref. dividend, the last year's results being a deficit after pref. dividends, of $64,352. In previous year 2% was earned on the common.

Southern Railway.—*Business along the lines is again looking upward, as gross in Feb. scored one of largest increases in current fiscal year, but Co. has fifty more miles of road in operation than last year. Increase in gross for Feb. was $373,800 or 7½%. Expenses of operation and taxes 76.1% against 72.7% in Feb. 1911, and $63,500 of increase in operating revenues was saved for net. It now appears certain that Co. will show com. balance fully as large as 1911. In 8 mos. to end of Feb. net increased $186,700, with indication of further increase in gross in 4 mos. yet to be heard from. Thus far, Co. earned $10,805,472 against $10,682,303 for corresponding period last year. Co.'s tonnage of manufactured goods last year was 7,987,761 tons, compared with 7,602,249 previous year; and mining products 10,461,823 tons, against 10,003,914 previous year. Earnings for com. dividends were 3.06%, compared with 2.3% previous year, with nothing in 1908.

St. Louis Southwestern.—†Surplus earnings for seven mos. to end of Jan. equivalent to 6.9% on the $19,893,650 pref. In entire 1911 fiscal year 6.11% was earned on pref. and 1910 equal to $4.10. Business handled first 7 mos. of year $7,229,100, which was $213,600, or nearly 3% under year ago. Net in 7 mos. to end of Jan., was $2,279,810, a gain of $238,450, or 11%. Surplus after all deductions totaled $1,372,500, a gain of 49% over last year.—*Stockholders, on Apr. 17, are called to act upon proposed increase in bonded indebtedness to $100,000,000, also to pass upon proposition to increase com. stock by $75,000,000. The latter is to comply with requirement of law, providing that total authorized stock shall be equal to total bonded indebtedness.

Tenn. Copper.—*Co.'s acid business has been brought to production basis of 20,000 tons a mo., and for several mos. net earnings have exceeded the $100,000 mark, which is at rate of $6 per share. Earnings would appear to justify placing stock on a dividend basis of $4 per share per an., which has been the aim of management. Production of copper in 1911, totaled 13,808,940 lbs. at average cost of 10.88 cents. The increase in yield of copper per ton of ore was 2 lbs. higher, rising from 29.30 lbs. in 1910, to 31.65 last year. The pamphlet report for year end. Dec. 31 last, shows profit and loss surplus of $1,688,428.

Texas & Pacific.—*The balance sheet as of Dec. 31, shows cash aggregating $1,213,-251, while working assets are $4,748,276. On same date, there were working liabilities of $5,483,125 outstanding. Since receivership threatened in 1908, Co. has reduced bills payable from $5,865,397 to $3,-951,780, or about 32% from earnings. Additions to property out of income since June 30, 1907, amount to $5,445,530. Most of this has been possible through suspension of interest on second mortgage income bonds, which call for $1,250,000 per an., if full interest is paid. Gross earnings have been increasing since Jan. The road needs a lot of new money. It has just ordered fifty new engines, which will increase by about 14% its motive power.

Union Bag & Paper Co.—*Co. has just sold $750,000 first mortgage 5% sinking fund bonds, maturing in 1930. These bonds are part of authorized issue of $5,000,000, of which $3,861,000, including this new block, are in hands of the public. These bonds are tax exempt. Co. has for last 5 or 6 years been earning more than 4 times interest on its bonded debt. The value of properties securing these bonds is $20,033,321, or over 5 times mortgage debt. An interesting feature of Co.'s business is that it has only seven customers. It sells its product to these seven big jobbers, who guarantee all accounts, so that in its bag business, Co. has never sustained the loss of a dollar. Co. is also a considerable producer of paper, and at Hudson Falls produces 20,000 horse power, much of which it sells as electrical energy in nearby towns and cities.

Union Typewriter.—*During fiscal year Dec. 30 Co. recorded best earnings since 1907. In 1911 surplus after payment of regular 7% dividend on $4,000,000 first pref. and 8% on $6,000,000 second pref. was equivalent to 6.59% on the $10,000,000 com., against 4.5% for previous year and 1.2% in 1909.

U. S. Cast Iron Pipe.—*Co. is operating plants at about 62% of capacity. Prices are about $1.50 better per ton. Another increase is expected. Dividend on pref. was passed in Sept., 1911, following a year when 3.88% was earned. Results of present year which will end in May are expected to be better than those of 1911.

U. S. Industrial Alcohol.—*Since organization Co. has earned $1,500,000 surplus, and earnings are now figured at rate of 5% per an. on com. stock. Co. is loaning out $3,000,-000 or 50% of amount of its outstanding pref. stock.

U. S. Rubber.—*Rubber Goods Co. will this year make about 40% of all automobile tires produced in the U. S. or a total of $22,-000,000 to $25,000,000 gross business. Annual statement of Rubber Goods Co., the mechanical rubber end of U. S. Rubber, for fiscal year Dec. 31 shows largest net earnings in history of Co. The balance of net $3,500,997, compares with $2,122,247 in 1910, and $2,369,971 in 1909. Surplus after dividends including $407,-653 transferred from reserves to surplus was $1,702,345, equal to better than 10% on com., making year's earnings over 18%. Dividends of 8% paid on this issue.

U. S. Steel.—*The Steel Corp. in its monthly statement shows unfilled orders as of Mar. 30 of 5,304,841 tons. This compares with 5,454,200 tons on Feb. 29, a decrease of 149,359 tons. The Corp. for first time in its history finds it inexpedient to make appropriations from earnings for new construction. This means that from now on Co. will have to make new bond issues to cover new construction work, unless prices show sharp improvement. This will increase fixed charges. During past year, the net increase in bonded indebtedness amounted to $24,000,000, which caused an increase of $1,300,000 in interest charges. But in 1911 Co. passed through a period of depression and the turn has come. There was less steel sold to railroads in 1911 than in many years and this year they will be enormous consumers of steel by necessity. Orders now on books sufficient to keep all plants operating at their present 90% capacity until after the first of Aug. The decrease of 150,000 tons in unfilled tonnage during March was wholly due to increased production. The annual report shows net earnings $104,305,466, compared with $141,054,754 in 1910. Balance for dividends on com., or new construction, $30,080,619 or 5.9%. Co. had $43,499,127 cash on hand compared with $56,953,514 at close of preceding year. Balance of surplus for year $4,665,494 compared with $10,772,382 Dec. 31, 1910.

Va.-Carolina Chemical.—*Sale of $2,000,-000 additional pref. stock, and remaining $3,-000,000 of its $15,000,000 first mortgage bond issue have given Co. $5,000,000 new working capital. Interest at 5% imposes a smaller fixed charge than cumulative 8% dividend on its pref. stock. In late year only 3.1% was earned on $27,984,000 com. stock, compared with 10.7% in 1910. Profits this year will, in all probability, exceed 7% on the com. The unfortunate experience of So. Cotton Oil, all of whose stock is in Virginia treasury, turned a profit of that Co. of $1,450,000 in 1910 into a positive loss of $629,000. Enough is already known to warrant statement, that Cotton Oil will this year show some net earnings. In any event there will be no $629,000 loss to take

out of profits of fertilizer business. Fertilizer profits last year show a $200,000 gain over 1910 year.

Virginian Ry.—*Announcement is made that Co. has sold $25,000,000 first mortgage 5% 50-yr. gold bonds. A part of proceeds from the sale will pay off $17,000,000 Tidewater 6% notes called for redemption June 1. It is proposed to reduce authorized issue of $34,800,000 first mortgage bonds to $25,000,000. The $9,800,000 balance, which is owned by the Tidewater, is to be exchanged for like amount of pref. stock and the bonds canceled. Therefore total indebtedness of Co. will be $25,000,000 first mortgage bonds and $2,400,000 equipment trust certificates.

Wabash-Pitts. Terminal.— A settlement between Wabash-Pitts. Term. and Wabash Railroad is now definitely agreed upon. Under terms of settlement, Wabash will receive about $2,000,000 cash in settlement of all claims held against the Terminal Railway, and giving up securities now deposited under Terminal Railway demand notes. It also provides for payment, principal and accrued interest, of the $8,000,000 Wheeling & Lake Erie notes in default since 1908, and guaranteed by Wabash. The $2,000,000 will be utilized to pay off like amount of that Co.'s $5,000,000 extended notes. Arrangements will probably be made by Wabash for refinancing remainder of these notes, amounting to $3,000,000 as release of collateral deposited cannot be effected otherwise.

Western Union.—*Earnings during first quarter of 1912 were largest in history of Co. for similar period, and clearly reflect improved methods of operation that have become effective since property was taken over by Am. Tel. Co. In some circles it is confidently expected that Co. will increase the dividend at next quarterly meeting in June, It will be found that balance available for dividends earned in quarter ended Mar. 31 amounted to about $2,885,700 which is equivalent to 2.89% on total amount stock outstanding or at rate of 11.56% per an.

Westinghouse.—*Directors of Air Brake Co. recommended a stock dividend of 33⅓%, subject to vote of stockholders Apr. 24. This will increase stock to about $20,000,000. It is the intention to pay dividends in proportion to the increase, then to increase payments when earnings warrant. Last fiscal year ending with July, Co. earned 20.52% compared with 30.17% for year previous. It is understood that for current fiscal year earnings are nearly 40% on the $14,000,000 stock. Declaration of 1% dividend on Westinghouse Electric com. is a reflection of current earning power. The fiscal year to Mar. 31 has been as unsatisfactory as the 1911 year was splendid. Last year Co. had the biggest gross and net in its history, crossing the $38,000,000 mark, and net for interest and dividends was $7,124,296, equal after all deductions to 12.5% on the com. The year just ending will show only a trifle better than $30,000,000, and balance for the com. will probably be 4% to 5%. Co. has of course earned the 1% dividend just declared. A moderate revival in buying orders will put gross back above $35,000,000 and permit more than 1% dividend. During 1910 and 1911 fiscal years, W. Electric charged off $12,139,000 to depreciation, most of which represented unprofitable foreign investment earnings.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

Amalgamated-Anaconda.—*Amalgamated owns 3,185,802 shares Anaconda stock, or 108,044 shares, basis of two shares Anaconda for one Amalgamated. Although official figures of Anaconda's March production are not yet available, unofficial figures place output of Washoe Great Falls smelters at close to 28,000,000 lbs. Included in above production, is 2,300,000 lbs. North Butte, 600,000 Tuolumne. The latter averaging 7% copper, while North Butte is averaging 65 lbs. copper per ton. Anaconda ore is returning 70 lbs. per ton. Anaconda has declared regular quarterly dividend of 50c. a share, payable April 17, to holders of record April 6.—†A prominent copper interest tells his friends, not to sell Anaconda stock under $50, as the fact, not generally known, is that Anaconda treasury is possessed of $27,000,000 cash, and the Co. now earning about $4 per share, which means Co. is earning at rate of about $18,000,000 a year, $9,000,000 per an. over present dividend rate. We are told that notes given in part payment for Clark properties, at total cost of $6,000,000, have been paid, and purchase price has already been taken out of the properties.

Calumet & Arizona.—*The Co. must be earning today at least $6 a share. The significant feature to this report is the low cost of 7.34 cents per lb., a reduction of more than 1 cent from previous year. The output was 49,945,905 lbs., as against 54,215,070. The yield per ton is 89¾ lbs., against 83½ in 1910.

Chino Copper.—*Shareholders have ratified proposed increase in capital stock by addition of 100,000; 70,000 shares will be offered for subscription at $25 a share. The new stock will raise Chino's capital from $4,000,000 to $4,500,000, par value being $5 a share. Holders of every ten shares may subscribe for 1 share of new stock up to

Apr. 20, when 50% must be paid; the other 50% on or before June 20. Proceeds from new issue, amounting to $1,750,000, will be used for development, equipment, and other purposes.

Goldfield Consol.—†In order to maintain rate of dividends, earnings must amount to $590,000 monthly. For several mos., earnings have not been sufficient for dividend requirements. Since first of year they have shown slight reduction. Net profits in Jan. amounted to $471,139, Feb. $487,261, while average for past six mos. has been $505,496 per mo. Co. has, however, a cash surplus in excess of $1,000,000.

Inspiration.—*The only new property bringing copper to market this year, is the Mason Valley, and the only new property contemplating bringing copper to market next year, is Inspiration Cons. It is expected that the "Inspiration" concentrator will be completed between 18 mos. and 2 years, and will produce between 70 and 80 million lbs. a year when running full capacity.

La Rose.—†Co. has decided to increase dividend rate, and place Co. upon a 10% basis per an. During year, Co. produced 3,691,797 oz. silver having a net value of $1,810,470. Cost of production was 19.2 per oz., and average selling price 53.55. Ore reserves Dec. 31, 1911, amounted to 4,250,851 oz. of estimated net value, $1,643,938. The combined surplus of operating and holding Cos. amount to $1,551,420, after disbursing in dividends $599,450. Co. has declared quarterly dividend of 2½% payable Apr. 20. Books close Mar. 30 and reopen Apr. 18.

Miami Copper.—*Co. has declared initial dividend of 50 cents a share, placing stock on a $2 basis. It was a year ago that Co. commenced production of copper. Up to end of Dec. the mine had produced approximately 15,000,000 lbs. Jan.'s yield was 2,600,000 and Feb. in same proportion. Average cost between 8 and 8¼ cents, would permit a profit per lb. of 6¼ cents, about $185,000 per mo. based on current operations.

Nipissing.—*The pamphlet report for fiscal year Dec. 31 shows gross income $3,879,269; increase, $337,194; net, $2,820,257; decrease, $163,827; total surplus, $1,204,743; increase, $251,946. Pres. says: The cost of producing silver including every item of expense was under 14c. per oz. Of this production over 74% was profit. The reserves were increased during year $1,300,000, to a total of $4,572,000. This is the largest ore reserve ever shown by Co. There remains 270 acres, or about one-third total area of the property, still unprospected.

Ray Consol.—*Before end of current year, Co. should be supplying ore to capacity of its plant, 8,000 tons daily, and producing red metal at rate of 80,000,000 lbs. per an., at cost of 8½ cents. Earnings on 13-cent copper would be $2.25, on 14-cent $2.75, and on 15-cent $3.25. Mr. Aldrich says: "Co. is now making in excess of $1 per share, and by Oct. earnings should equal at least $2 per share. 108,700 tons of ore was produced during March. The net copper output was little over 2,400,000 lbs., and operations for mo. showed a profit of $157,000.

U. S. Smelting.—*The three latest acquisitions have been the "Needles" property in Arizona, the "Gold Roads" and a large coal property in Utah. As there are no coal properties of importance between Utah and the coast, and as this coal is equal in grade of that of the Western States, it should enjoy an excellent market. The seams at this property are from 12 to 25 feet thick, and the coal is of excellent steam grade. Tonnage has been estimated as high as 400,000,000. The property has a connection now over its own lines, with the Denver & Rio G., and has now a capacity of better than 1,000,000 tons yearly, and will be developed as rapidly as possible. The silver mines are treating now better than 1,100 tons a day. From its operations, earnings of Co. first 2 mos. of year have aggregated about $700,000 net, after substantial charges for depreciation, which is at rate of better than $7 per share on common stock, after allowing for 7% on pref. The silver product is about 11,000,000 oz. per an. The rise in price increases value of its silver output by about $275,000. Co. reports for year Dec. 31: Earnings (all cos.) less cost of production, $3,961,101; increase, $222,560. Profit, $2,840,412; increase, $356,094.

Utah Copper-Nevada Consol.—†With copper at 15c. per lb. both these Cos. are earning greatly in excess of dividend requirements. Nevada on normal production is earning $1 per share over dividend requirements, while Utah on normal production and income from Nevada is receiving $2.75 per share over and above its dividend.—*Utah Copper has on hand over 300,000,000 tons, contrasted with 40,000,000 tons for Nevada Cons. The latter, however, owns an important railroad system and a big reduction plant, holding forth possibilities of future revenue long after the ore has been extracted.

Copper Notes.—*The March statement of Copper Producers' Association showed decrease in stock of only 572,431 lbs. The outturn in March was largest reported since last May, when refineries of country produced 126,962,544 lbs. Domestic deliveries showed gradual improvement in manufactures using the metal, as well as in business generally. Exports showed slight falling off. Total deliveries for mo. aggregated 126,267,032, or average of 4,073,130 lbs. a day, while total production amounted to 125,694,601 lbs., or a daily average of 4,054,664 lbs. Stocks remaining March 31, 62,367,557 lbs., are the smallest ever reported by the Assoc., and compares with stocks a year ago of 162,007,934 lbs., a decrease of 100,000,000 lbs.

TRADERS' DEPARTMENT

The Psychology of the Stock Market

VI—The Panic and the Boom.

By G. C. SELDEN.

BOTH the panic and the boom are eminently psychological phenomena. This is not saying that fundamental conditions do not at times warrant sharp declines in prices and at other times equally sharp advances. But the panic, properly so-called, represents a decline greater than is warranted by conditions, usually because of an excited state of the public mind, accompanied by exhaustion of resources; while the term "boom" is used to mean an excessive and largely speculative advance.

There are some special features connected with the panic and the boom which are worthy of separate consideration.

It is really astonishing what a hold the fear of a possible panic has upon the minds of many investors. The memory of the events of 1907 has undoubtedly operated greatly to lessen the volume of speculative trade from that time to the present (April, 1912). Panics of equal severity have occurred only a few times in the entire history of the country, and the possibility of such an outbreak in any one month is smaller than the chance of loss on the average investment through the failure of the company. Yet the specter of such a panic rises in the minds of the inexperienced whenever they think of buying stocks.

"Yes," the investor may say, "Reading seems to be in a very strong position, but look where it sold in 1907—at $70 a share!"

It is sometimes assumed that the low prices in a panic are due to a sudden spasm of fear, which comes quickly and passes away quickly. This is not the case. In a way, the operation of the element of fear begins when prices are near the top. Some cautious investors begin to fear that the boom is being overdone and that a disastrous decline must follow the excessive speculation for the rise. They sell under the influence of this feeling.

During the ensuing decline, which may run for years, more and more people begin to feel uneasy over business or financial conditions, and they liquidate their holdings. This caution or fearfulness gradually spreads, increasing and decreasing in waves, but growing a little greater on each successive swell. The panic is not a sudden development, but is the result of causes long accumulated.

The actual bottom prices of the panic are more likely to result from necessity than from fear. Those investors who could be frightened out of their holdings are likely to give up before the bottom is reached. The lowest prices are usually made by sales for those whose immediate resources are exhausted. Most of them are taken by surprise and could raise the money necessary to carry their stocks if they had a little time; but in the stock market, "time is the essence of the contract," and is the very thing that they cannot have.

The great cause of loss in times of

panic is the failure of the investor to keep enough of his capital in liquid form. He becomes "tied up" in various undertakings so that he cannot realize quickly. He may have abundant property, but no ready money. This condition, in turn, results from trying to do too much—greed, haste, excessive ambition, an oversupply of easy confidence as to the future.

It is noticeable in panic times that a period arrives when nearly every one thinks that stocks are low enough, yet prices continue downward to a still lower level. The result is that many investors, after thinking that they have "loaded up" near the bottom, find that it was a false bottom, and are finally forced to throw over their holdings on a further decline.

This is due to the fact mentioned above, that final low prices are the result of necessities, not of opinions. In 1907, for example, every one of good sense knew perfectly well that stocks were selling below their value—the trouble was that investors could not get hold of the money with which to buy.

The moral is that low prices, after a prolonged bear period, are not in themselves a sufficient reason for buying stocks. The key to the situation lies in the *accumulation of liquid capital,* which is most quickly evidenced by a rapid recovery of the excess of deposits over loans in the New York clearing house banks (excluding the trust companies, in which loans are more varied). This subject, however, takes us outside our present field.

It is to a great extent because the last part of the decline in a panic has been caused not by public opinion, or even by public fear, but by necessity, arising from absolute exhaustion of available funds, that the first part of the ensuing recovery takes place without any apparent reason.

Traders say, "The panic is over, but stocks cannot go up much under such bearish conditions as now exist." Yet stocks can and do go up, because they are merely regaining the natural level from which they were depressed by "bankrupt sales," as we would say in discussing dry goods.

Perhaps the word "fear" has been overworked in the discussion of stock market psychology. It is only the very few who actually sell their stocks under the direct influence of the emotion of fear. But a feeling of caution strong enough to induce sales, or even a fixed belief that prices must decline, constitutes in itself a sort of modification of fear, and has the same result so far as prices are concerned.

The effect of this fear or caution in a panic is not limited to the selling of stocks, but is even more important in preventing purchases. It takes far less uneasiness to cause the intending investor to delay purchases than to precipitate actual sales by holders. For this reason, a small quantity of stock pressed for sale in a panicky market may cause a decline out of all proportion to its importance. The offerings may be small, but nobody wants them.

It is this factor which accounts for the rapid recoveries which frequently follow panics. Waiting investors are afraid to step in front of a demoralized market, but once the turn appears, they fall over each other to buy.

The boom is in many ways the reverse of the panic. Just as fear keeps growing and spreading until the final crash, so confidence and enthusiasm keep reproducing each other on a wider and wider scale until the result is a sort of hilarity on the part of thousands of men, many of them comparatively young and inexperienced, who have "made big money" during the long advance in prices.

These imaginary millionaires appear in a small swarm during every prolonged bull market, only to fall with their wings singed as soon as prices decline. Such speculators are, to all practical intents and purposes, irresponsible. It is their very irresponsibility which has enabled them to make money so rapidly on advancing prices. The prudent man gets only moderate profits in a bull market—it is the man who trades on "shoe-string margins" who gets the biggest benefit out of the rise.

When such mushroom fortunes have accumulated, the market may fall temporarily into the hands of these daredevil spirits, so that almost any reck-

lessness is possible for the time. It is this kind of buying which causes prices to go higher after they are already high enough—just as they go lower in a panic after they are plainly seen to be low enough.

When prices get above the natural level, a well-judged short interest begins to appear. These shorts are right, but right too soon. In a genuine bull market they are nearly always driven to cover by a further rise, which is, from any common sense standpoint, unreasonable. A riot of pyramided margins drives the sane and calculating short seller temporarily to shelter.

A psychological influence of a much wider scope also operates to help a bull market along to unreasonable heights. Such a market is usually accompanied by rising prices in all lines of business and these rising prices always create, in the minds of business men, the impression that their various enterprises are more profitable than is really the case.

One reason for this false impression is found in stocks of goods on hand. Take the wholesale grocer, for example, carrying a stock of goods which inventories $10,000 in January, 1909. On that date Bradstreet's index of commodity prices stood at 8.26. In January, 1910, Bradstreet's index was 9.23. If the prices of the various articles included in this stock of groceries increased in the same ratio as Bradstreet's list, and if the grocer had on hand exactly the same things, he would inventory them at about $11,168 in January, 1910.

He made an additional profit of $1,168 during the year without any effort, and probably without any calculation, on his part. But this profit was only apparent, not real; for he could not buy any more with the $11,168 in January, 1910, than he could have bought with the $10,000 in January, 1909. He is deceived into supposing himself richer than he really is, and this false idea leads to a gradual growth of extravagance and speculation in every line of business and every walk of life.

The secondary results of this delusion of increased wealth because of rising prices, are even more important than the primary results. Our grocer, for example, decides to spend this $1,168 for an automobile. This helps the automobile business. Hundreds of similar orders induce the automobile company to enlarge its plant. This means extensive purchases of material and employment of labor. The increased demand resulting from a similar condition of things in all departments of industry produces, if other conditions are favorable, a still further rise in prices; hence at the end of another year the grocer perhaps has another imaginary profit, which he spends in enlarging his residence or buying new furniture, etc.

The stock market feels the reflection of all this increased business and higher prices. Yet the whole thing is psychological, and sooner or later our grocer must earn and save, by hard work, economical living and shrewd calculation, the amount he has paid for his automobile or furniture.

Again, rising stock prices and rising commodity prices react on each other. If the grocer, in addition to his imaginary profit of $1,168 sees a ten per cent. advance in the prices of various securities which he holds for investment, he is encouraged to still larger expenditures; and likewise if the capitalist notes a ten per cent. advance in the stock market, he perhaps employs additional servants and enlarges his household expenditures so that he buys more groceries. Thus the feeling of confidence and enthusiasm spreads wider and wider like ripples from a stone dropped into a pond. And all of these developments are faithfully reflected by the stock market barometer.

The result is that, in a year like 1902 or 1906, the high prices for stocks and the feverish activity of general trade are based, to an entirely unsuspected extent, on a sort of pyramid of mistaken impressions, most of which may be traced, directly or indirectly, to the fact that we measure everything in money and always think of this money-measure as fixed and unchangeable, while in reality our money fluctuates in value just like iron, potatoes, or "Fruit of the Loom." We are accus-

tomed to figuring the money-value of wheat, but we get a headache when we try to reckon the wheat-value of money.

When a fictitious situation like this begins to go to pieces, the stock market, fulfilling its function of barometer, declines first, while general business continues active. Then the "money sharks of Wall Street" get themselves roundly cursed by the public and there is a widespread desire to wipe them off the earth in summary fashion. The stock market never finds itself popular unless it is going up; yet its going down undoubtedly does far more to promote the country's welfare in the long run, for it serves to temper the crash which must eventually come in general business circles and to forewarn us of trouble ahead so that we may prepare for it.

It is generally more difficult to distinguish the end of a stock market boom than to decide when a panic is definitely over. The principle of the thing is simple enough, however. It was an oversupply of liquid capital that started the market upward after the panic was over. Similarly it is exhaustion of liquid capital which brings the bull movement to an end. This exhaustion is shown by higher call money rates, loss of the excess of deposits over loans in New York clearinghouse banks, a steady rise in commercial paper rates, and a sagging market for high-grade bonds.

VII—The Psychology of Scale Orders.

THE observer of market conditions soon comes to know that there are two general classes of minds whose operations are reflected in prices. These classes might be named the "impulsive" and the "phlegmatic."

The "impulsive" operator says, for example, "Conditions, both fundamental and technical, warrant higher prices. Stocks are a purchase." Having formed this conclusion, he proceeds to buy. He does not try or expect to buy at the bottom. On the contrary he is perfectly willing to buy at the top so far, provided he sees prospects of a further advance. When he concludes that conditions have turned bearish, or that the advance in prices has overdiscounted previous conditions, he sells out.

The "phlegmatic" type of investor, on the other hand, can hardly ever be persuaded to buy on an advance. He reasons, "Prices frequently move several points against conditions, or at least against what the conditions seem to me to be. The sensible thing for me to do is to take advantage of these contrary movements."

Hence when he believes stocks should be bought he places an order to buy on a scale. His thought is:

"It seems to me stocks should advance from these prices, but I am not a soothsayer, and prices have often declined three points when I felt just as bullish as I do now. So I will place orders to buy every half point down for three points. These speculators are a crazy lot and there is no knowing what passing breeze might strike them that would cause a temporary decline of a few points."

Among large capitalists, and especially in the banking community, the "phlegmatic" type naturally predominates. Such men have neither the time nor the disposition to watch the ticker closely and they nearly always disclaim any ability to predict the smaller movements of prices. They are entirely ready, nevertheless, to take advantage of these small fluctuations when they occur, and having plenty of capital, they can easily accomplish this by buying or selling on a scale.

As a matter of fact, the market is usually full of scale orders, and the knowledge of this and of the way in which such orders are handled is decidedly helpful in judging the tone and technical position of the market from day to day.

The two types of operators above described are always working against each other. The buying or selling of the "impulsive" trader tends to force prices up or down, while the scale orders of the "phlegmatic" class tend to oppose any movement.

For example, let us suppose that

banking interests believe conditions to be fundamentally sound and that the general trend of the market will be upward for some time to come. Orders are therefore placed by various persons to buy stocks every point down, or every half, quarter, or even eighth point down.

On the other hand, the active floor traders find that, owing to some temporary unfavorable development, a following can be obtained on the bear side. They perceive the presence of scale orders, but they think stocks enough will come out on the decline to fill the scale orders and leave a balance over.

To put it another way, the floating supply of stocks has become, at the moment, larger than can comfortably be tossed about from hand to hand by the in-and-out class of traders. The market must decline until a part of this floating supply is absorbed by the scale orders which underlie current prices.

These conditions produce what is commonly called a "reaction." Once this surplus floating supply of stocks is absorbed by standing orders, the market is ready to start upward again. If the general trend is upward, far less resistance will be encountered on the advance than was met on the reaction; hence prices rise to a new high level. Then profit-taking sales will be met, on limited or scale orders at various prices, and as the market advances the floating supply will gradually increase until it again becomes unwieldy and another reaction is necessary.

Eventually a level is reached, or some change in conditions appears, which causes these scale buying orders to be partially or entirely withdrawn, and selling orders to be substituted on a scale up. The bull market will not go much further after this change takes place. It has now become easier to produce declines than advances. The situation is the reverse of that described above, and a bear market follows.

Commonly there is a considerable period around top prices when scale buying orders are still found on declines, but profit-taking sales are also met on advances, so that the market is kept fluctuating within comparatively narrow limits for a month or more. In fact, it is likely to be kept on this level so long as public buying continues greater than public selling. This is sometimes called "distribution." A similar period of "accumulation" often occurs after a bear market has run its course, and before any important advance appears.

A close watch of transactions, or a study of continuous quotations as published in certain newspapers, often enables the experienced trader to discover when the most important of these scale orders are withdrawn or reversed.

A bull market which is full of scale buying orders encounters "support," so-called, on declines. Bears are timid about driving down prices, because they are continually "losing their stocks." They say that "very little stock comes out on declines"; hence there is a certain appearance of caution in the way the market goes down, and the activity of trade shows, in a broad way, a falling off at lower prices. On the advances, however, a following is obtained and activity increases.

Toward the end of the bull market a change is noticeable. Prices go down easily and on larger transactions, while advances are sluggish and opposition is met at higher levels where profit-taking orders have been placed. The very day when scale buying orders in a stock are withdrawn can oftentimes be distinguished.

In a bear market, "pressure" appears in place of "support." The scale orders are mostly to sell as the market rises. Only a small following of purchasers is obtainable on advances, hence the activity of business, in a general way, falls off as prices go up. The end of the bear market is marked by the reappearance of "support" and the removal of "pressure," so that prices rebound quickly and sharply from declines.

The common assumption is that this "support" or "pressure" is supplied by "manipulators." But it is quite as likely to result from the scale operations of hundreds of different persons, whose mental make-up prevents them from buying or selling in the "impulsive" way.

(*To be continued.*)

Trading Through Intelligence

By FRANK H. TUBBS

(*Continued from April Issue.*)

DANIEL DREW said, "Never sell stocks short in the Spring, when the sap is running up the trees." Do we always have a Spring rise? Spring is an elastic word. It may be three months, or it may last from Washington's birthday till Fourth of July. The sap runs up the trees all the while, from snow-time till fly-time. There is time enough for almost any two kinds of market in such a period.

There has always been a Spring rally of some kind. During the last nine years such rallies were as follows: In 1903, the advance began April 14, lasted 7 days and extended 6 points, on the average shown by my "Ten-Rail" chart. In 1904, it began March 16, lasted 23 days and extended 9 points. In 1905, began March 29, lasted 16 days, made 10 points. In 1906, began May 3, lasted 29 days, made 12 points. In 1907, began March 26, lasted 10 days, made 13 points. In 1908, began March 5, lasted 59 days, made 21 points. In 1909, began March 22, lasted 25 days, made 18 points. In 1910, began February 8, lasted 23 days, made 10 points. In 1911, began April 25, lasted 53 days, made 9 points. This is too erratic to enable one to depend on its starting at any given time, continuing with regularity or showing time for culmination. It does, however, give evidence that Mr. Drew was wise in advising against taking the short side until there has been a good Spring rally.

Some sayings have the germ of wisdom. "Little and often fills the purse," is one of them. It would instruct us to take a few points profit at a time and to take them often. There are but few long moves in any given year, but many short ones. For example, take Reading during the last year. It has had six moves of ten points or more. In the same time it has had forty-five moves of three points or more. If one could have reason for action on the short moves he would get double the amount of profit during a year that he would on long moves.

I know a young man who has recently made about forty thousand dollars on quick trades. After he had sold out one day, and the stock kept going up, his father said, "See how foolish you were to sell when you did. See what profit you would have had now!" The young man replied, "Father, men go broke by hanging on," and he is right. Profits are not yours till you have taken them. To a reader of movements there are always signals for beginning a new trade, and there will be constant fluctuations. Getting many small profits will surely fill the purse.

Another objection to waiting for long moves is that one seldom sees that it is to be a long move until the larger part of it is over, and he is kept waiting the larger part of the time. It may satisfy some people to be on the waiting list, but active speculators wish to be in the market nearly all the time. It is just as easy for a student to learn to read coming moves of a few points as it is to read long moves. Some traders think it easier. The point I would impress is that a student can learn how to understand three or four-point moves as well as ten-point moves if he turns his attention to that subject.

Rothschild is quoted as saying, "Buy when every one is selling. Sell when every one is buying." How can we know when "every one" is buying or selling? The maxim is certainly a good one, because the whole business of speculation, as carried on by insiders, is to sell stocks to "every one" and buy them back at lower prices. There are students who decide that "every one" is buying when there comes a large volume day after a long rise, and that "every one" is selling when the large volume comes after a severe decline.

This is right, but there must be close study of volumes to utilize the idea. Volumes are comparative. What is a large volume at one time would be moderate or small at another time.

Volumes at present, under the newer rules of the Exchange, are not so large as they were six or eight years ago. Million-share days are not so frequent as they were. In the autumn of 1904, for over thirty days (except Saturdays) no day had so small volume as a million shares. What would be thought of such a series of million-share days at the present time? It would be difficult to produce it. One must, therefore, compare recent volumes in order to judge when "every one" is buying or selling, if he expects to utilize Rothschild's wise saying through the study of volumes.

An acquaintance who has made (and kept) a lot of money during the last few years has used this simple device: He reads the papers and hears comments on the market. Whenever he hears "every one" talking bullish and predicting much higher prices, and the papers are telling of prosperity and beautiful prospects, he sells stocks or sells short. He uses large margin, so that if he does not sell at the top he does not worry. He merely waits and reads the papers till he finds them giving bearish news. Then he examines his trades and almost invariably finds he has profits. At that time he covers his short stock and buys. He does not watch quotations much nor does he look to see if the trade has gone against him. He merely studies the attitude of the papers and brokers' advices and trades directly against the general mental attitude.

If that is not following Rothschild's maxim, what is? It is a fact that he makes money. His way, especially with regard to non-use of stop-loss orders, is quite contrary to what most of us advise—but he makes money. That is the main thing. He also illustrates the fact that one should have an *idea* on which to trade.

That is the point which this article seeks to enforce—that every plan for trading should be based on an idea. If it is a good one, based on reason, any good student can study its application and, by testing it on his charts and records, learn how he may use it. He should wait, before trading on it, till he sees it work a few times. When he understands it he can act.

And in all the Wall street maxims there are ideas. They form interesting study. They would not have become maxims unless the ideas they contain had appeared in working form often enough to engage general attention. I have quoted three familiar sayings and have sufficiently analyzed them to point the way by which students can follow out this line of interesting study. I merely wish to open to view what may be the means of allowing thoughtful speculators to select a method of trading which they can make their own, so that they may leave the mob of "guessers," who must be the losers, and join the growing class of successful speculators.

Can This

AMONG the passengers on a westbound ocean greyhound during a recent trip there must have been someone with an awful hunch on Can common.

Everyone with the speculative bee was sending wireless messages to his broker to buy Can, and after the steamer's arrival the tip spread till even those who Can't see anything else bullish on the market Can see why this stock should go up.

"If it doesn't," said one of the inoculated ones, "I'll kick every Can I see for the rest of my life."

[ED. NOTE.—This is not a tip. It's merely an anecdote.]

How They Trade

Interesting Communication From an Operator Who Never Takes a Loss

HERE is a man who deals in 100 to 500-share lots, basing his judgment upon "statistics." The amount of margin he employs depends upon the price of the stock in which he is operating, but he never uses less than sixty per cent. He has been trading for three years and his trades average five or six a year.

Five points profit is the least he takes, and he does not use stop orders until he has a paper profit. His dealings are confined strictly to New York Stock Exchange securities.

He says: "In a market such as we had last fall, when prices were low, there were many bargains. I select the stock that offers the best opportunity for big improvement and buy one or two hundred shares for a profit of not less than thirty points. I always endeavor to purchase a preferred stock with a good record and at a price which will yield me at least 10 per cent. per year. The balance of my capital is used in making about one trade in from four to eight weeks for a five-point profit.

"My success is based upon correctly forecasting the future, and to do this it is necessary for me to solve many unknown factors. The hardest part of the problem is to find out what I ought to solve. To this end I keep a close watch on the banking situation, crops, exports and imports, wars, strikes and other things that take place from time to time—in fact anything that might have an effect on sentiment.

"Personally it would be of great assistance to me if your valuable magazine would have a space devoted to 'Danger Signals.' It might be arranged something after the order I have it on the enclosed slip of paper, so that your readers could weigh and analyze all the clouds on the horizon."

DANGER SIGNALS.

Money, domestic—Easy.
Money, foreign—Tight.
Crops, domestic—Poor.
Crops, foreign—Good.
Imports—..............
Exports—..............
Public Sentiment—..........
Clouds—Strikes, wars, etc., adverse legislation against certain companies, reduction of dividends in such and such stocks, etc.

ED. NOTE—We endeavor to cover these danger signals in our "Market Outlook." They can also be interpreted from our "Essential Statistics," but all danger signals are not always apparent, as demonstrated in Mr. Wyckoff's recent lecture. Even after one has seen what he considers "trouble" in statistical form, its correct interpretation is very difficult.

Fundamental statistics necessarily deal with past conditions; that is in order to get the item of exports, goods must be put aboard steamers, their value estimated by the government and reported some weeks later. By the time you learn these figures, the trend of exports may have changed, and it is certainly impossible to forecast them even a month in advance. Take crop conditions: The June crop report may show "bumpers" all around, but the damage during June (reported in July) may cut down estimates fifteen or twenty per cent.

We consider that the impossibility of accurately forecasting the speculative movements of the market from these fundamental conditions has been demonstrated, and we feel safe in saying that the most successful operators today are not those who are working on this basis.

A Few Cold Facts

How Financial News Is Gathered and Distributed.

"TO my mind the popular method of buying and selling on 'the news' is positively silly," said one who is in a position to know. "People read the papers to find what's doing, but the stuff they get is from a day to a week old and all the juice has been squeezed out of it by the insiders.

"There's that Republic Steel preferred, for instance—by the way, how is it now?"

"Seventy-two."

"Well, when that stock was several points higher I knew and the other wise ones knew the next dividend would be reduced or passed. And what did they do? Sold it, of course. When the dividend meeting takes place and the public is scared out the insiders will cover.* This serves a double purpose—it makes money and it supports the market at a critical juncture."

"Then you think the outsider who depends on the newspapers is handicapped?"

"I certainly do, and if you doubt it, look back at the action of any stock a few weeks prior to the day when some important official announcement was made. You'll find that things have happened in about this order:

"A slow five-point decline.

"Rumors.

"A sharp break of four or five points more.

"Official announcement.

"A decline of a couple of points on public selling.

"A five-point rally—sooner or later.

"You see the outsider comes in for the last couple of points and soon finds himself out of his stock with a big loss, or short with a small loss. If he was originally long a hundred shares and he switched to the short side he has sold two hundred at the low figures. If it wasn't that insiders were ready and willing to take this stock there might be a very serious decline.

"Remember how St. Paul acted? When it was 120 insiders knew very well the dividend would have to be reduced. On the day of the meeting the price was 108½, which is equal to 106 ex-dividend. The stock has been hanging around 104½ most of the time since. The 'newspaper operator' didn't get much out of that, did he?

"That's the way it goes all the way down the line. A few corporation officials get the facts and operate on them; then they tell their friends who also operate. By the time some newspaper man is given a hint as to what is going on, the cream is off, and when fully published it's all over but the shouting."

"How do they give out the news?" was asked.

"Each large corporation has its spokesman—usually a high official or a partner in its banking house. These individuals generally have certain channels through which they distribute their announcements.

"A news representative calls daily and gets whatever insiders are willing to have the public know. At 'the corner' J. P. Morgan, Jr., and Mr. Davison give out everything. No one else talks. Otto Kahn and young Schiff are the mouthpieces for Kuhn, Loeb & Co. In Steel it's Gary and in Union Pacific, President Lovett."

"Is Mr. Gary accessible?"

"Yes, if he knows you."

"Do these big men always expect you to call for the news?"

"As a rule, but sometimes they send for us. In the case of St. Paul, the dividend cut didn't do the trick, so they put out a bearish statement afterwards. This last was so entirely unnecessary that it showed their object.

*Ed. Note.—On the day the passing of this dividend was announced, Republic Steel preferred touched the low, 64½. It immediately rallied to 70.

A simultaneous raid on the market had the desired effect.

"There is one little coterie of bank officials and financiers who work the rumor game to the limit. A reporter will call on one of them and in the course of the conversation the financier will drop a hint about a certain dividend or melon. 'I don't know anything certain about this, so don't say you got it from me, but see if you can get Mr. —— to confirm it.' So the reporter trots to the other man, from whom he gets neither a confirmation nor a denial; but he takes a chance that there is some truth in the story and prints it. The stock is affected to the extent of several points and the coterie takes its profit. Great game, eh?"

"I should say so. But tell me how the official reports are given out."

"Oh, after the directors and their friends are through buying, the 'estimated' or semi-official figures are published, and finally after the market is worked to the limit, the official announcement is made."

"But you reporters get these things ahead of the public and should benefit. Are any of you getting rich?"

"A few of us have and are, but only a very few. You see there is a big difference between a news man and a trader. Most of us have been trained to get the news and lack the instinct which turns it into money.

"There were Dow and Bergstresser, formerly of Dow, Jones & Co., who made a lot of money in the market. Edwin LeFévre, who now writes for a living, is said to have done well with some information he got from Ex-Gov. Flower. Frank Vanderlip hit it right when he was a newspaper reporter in Chicago. Harriman made one man rich and Lawson another, but in the main we work for our salaries and what gratuities are handed out now and then."

"Is there very much of that?"

"Considerable at times. The big fellows all use us one way or another. They are under obligations to us in many ways and a Christmas present or a little piece of underwriting with no risk attached helps buy shirts for the baby."

"What's the moral of all this?"

"The moral for the public is: Don't swallow financial news as it's fed to you."

The Situation in Cotton

BOTH sentiment and economic conditions appear to justify present prices for American cotton. The very fact that the crop being marketed has gone into the hands of consumers without causing more than temporary depression which followed the heavy marketing of November and December, is indicative of the enormous demand, a large part of which was to fill up the deficit caused by two previous crop disasters.

It may be, and doubtless is, true that speculation has gone heavily into goods manufactured from cheap cotton, and that the world's spinners have stocked themselves up at low prices for some time to come, but even this would not be an argument in favor of lower prices, unless there should develop a promise for another year's growth exceeding 14,000,000 bales. This would mean for two years' supplies of 30,000,000 bales of cotton, and would perhaps be a conclusive test of the world's absorbing power for American cotton, inasmuch as it would compare with the yield for 1909 and 1910 from two crops of very little over 23,000,000 bales.

It will thus be seen that the price equation for the remainder of the year depends largely upon conditions governing the crop now being planted. Both preparations and planting are unusually late and, while abundant moisture even in excess of requirements has visited the entire cotton belt, this alone might finally prove a drawback unless much more favorable weather conditions rule from now on. Unsettled weather would not only curtail acreage, but would promote a very rank growth of weeds, which would demand great care in cultivation to prevent disastrous interference with the growth of the cotton plant.

Under these conditions, and with a continuance of the remarkable increase in the cotton good business of the world, there is no present reason why cotton prices should not be at least sustained.

Taking no account of the effect of floods now threatening the Mississippi Valley, but admitting an acreage reduction of about 5 per cent. as compared with last season, there is no present reason to suggest a yield for the coming season under 14,000,000 bales; this is dependent on a fairly normal season between now and July 1.

Notes on Office Trading

I—The Nature of Office-Trading.

THE distinction between investment and speculation is commonly understood in the sense in which the terms are defined at the head of each issue of this magazine. It is not so generally recognized that speculative commitments are made in two ways, which differ more than speculation differs from investment, and that the best results are obtained when this difference is emphasized to the fullest extent.

Considered from this point of view, the term speculation might well be restricted to those operations which are based upon investment considerations, and differ from investment principally in the sense that profit is expected from substantial price changes. Stocks are bought because they are "cheap," i. e., selling below value, present or prospective, and vice versa. In most cases they are relatively deliberate operations. The element of time required is not considered a vital matter, and the minor fluctuations of price, which may intervene before an expected move is completed are considered as merely incidental and measurably disregarded.

Office-trading is the opposite in nearly every respect. It means buying or selling for the purpose of obtaining an average profit from a relatively large number of separate (more or less temporary) commitments based upon the expectation of immediate (relatively small) price-changes. The element of time in which these changes of price occur is important, also their sequence, and they are regarded from the standpoint of their manipulative origin or as the result of momentary variations of supply and demand. The choice of stocks is considered chiefly in regard to their technical suitability for trading.

The speculator, consequently, undertakes operations involving more or less considerable risks of temporary loss, and hopes that no change in fundamental conditions may occur while he is waiting for his anticipations to materialize. If they do, or if his original judgment was wrong, he is obliged to take a relatively large loss. The result is that, even if generally successful, he does not usually secure a very large percentage of profit on average, in spite of the fact that he occasionally may make a "killing."

The trader takes no such chances. He limits his risk on each transaction, and acts on the assumption that if a trade does not make good as and when expected, he will take a small loss, every time, in preference to a large risk.

It will be seen that the office trader is concerned almost entirely with matters affecting price-making in their technical sense. His aim is to forecast the direction in which prices will move next, and he is very little interested in the reasons why, although he will not deliberately ignore indications of forthcoming important changes.

It is a matter of common knowledge that the out-of-town trader, so-called, is apt to succeed better on the whole than the office trader. This is chiefly due to the fact that the out-of-town trader is a speculator who is forced by his conditions to speculate along more or less sensible speculative lines, and is not distracted by numerous matters that only concern the office trader. On the other hand, the few office traders who do succeed can show results far exceeding any that are within the reach of out-of-town speculating.

The possibilities of office trading are so great that it is not surprising that a large number of men spend every business day in their brokers' offices, with the intention of "making a business of it." Few of them, however, seem to make good at it. I do not think the usual ill-success of these people can be attributed altogether to lack of intelligence or disinclination to work, although this last

is unquestionably a very prevalent complaint. More of them would succeed if the real nature of office trading were better understood and its technique studied from the proper angle. In most cases they seem to be trying to combine two incompatible things, and make trading commitments on speculative reasoning.

II—Office Trading as a Business.

IT is absurd to adopt any career without first counting the cost. A man proposing to engage in any ordinary business for himself necessarily considers his circumstances, weighs his chances of success, and takes into consideration what return he may expect if he be reasonably successful. It does not seem to be generally realized that such determinations can be made in regard to office trading.

As a matter of fact, however, it is probably easier to do so than it is in the case of most businesses. The stock trader does not have to consider the matter of competition. He can do as much or as little business as his circumstances warrant, and at such times as suit his convenience, and his results will be limited only in proportion to his skill. Stock trading is a highly specialized, technical business. As in all such, the results depend considerably upon the personal aptitude of the trader and the thoroughness of his training.

Office trading as a business offers one advantage which is unique—if the trader is obliged to stop trading temporarily he will find the market and its opportunities there and unimpaired when he returns, and he will lose nothing but time while unemployed. Moreover, it is perfectly easy to engage in it to the exact degree warranted by the extent of his available funds. He can enlarge or diminish the scale of his operations as and when he will. As a money-making pursuit it is, *potentially,* the most profitable there is. Almost every trader laughs at the idea of a fractional profit. So far is this from being the true way of looking at the matter that a trader has really "arrived" when he can average not less than 1/8 of a point a day net profit. Upon this basis, and assuming forty weeks as a season's work, this represents at least 100 per cent. on the amount of capital which such a trader should ordinarily find sufficient.

Traders are subject to the same conditions as obtain in other lines of business. There have to be fat years and lean years. It is absolutely necessary to be able to survive the lean times. Many businesses fail for lack of capital. In the case of stock traders the position is difficult in one respect. They cannot raise capital in the way ordinary business men can. They must be their own bankers. Few traders allow themselves enough capital, and they confuse their trading funds with their personal monies. In any other line such a course is well understood to be a fatal error.

It seems to be the fact that most traders have to pass through a period of discouragement and loss which is ended more or less suddenly, by their "finding themselves." At that point they begin to make money, and if they adhere to their methods they are likely to progress fairly steadily to a point which is their limit. This phenomenon is a matter of common observation in regard to most business men. I have observed it in the case of stock traders on many occasions.

How long should it take a man of intelligence to discover if he possesses the necessary aptitude for stock trading, and how much money should his education cost him? I have been asked this question frequently, have given the matter considerable thought, and have watched the career of numerous traders. I have come across those who seemed to grasp the principles without much trouble, but who failed miserably when it became a matter of actual trading. They found it impossible to follow a method methodically. My belief is that the principles of trading are really by no means difficult to understand, but that only those who can train themselves to have no feelings, no hopes nor fears, and to follow a definite method of operation consistently and persistently can succeed permanently. The number of those who are so constituted is relatively small. On the other hand, there are those who have the natural qualifications but fail because they have never been started along the right road, and have never regarded the matter from the correct viewpoint.

(*To be continued.*)

INQUIRIES

This department is to answer miscellaneous questions in regard to the science of investment, methods of operating, the customs of the markets, etc. It is intended for the use of subscribers only. Please write questions briefly and, if personal reply is desired, enclose stamped and self-addressed envelope. Address INQUIRY DEPARTMENT.

Trend Indicator.

Kindly let me know the names of the stocks you use for your Trend Indicator (10 Rail). Also, do you take off the price of the stock in your 10-Rail Trend Indicator, the dividend of a stock when it sells ex-dividend?—T. M.

The stocks the writer has used in a 10-Rail Trend Indicator, were given in the Inquiry Column, January number, page 139. In regard to dividends, it is usually best to ignore them in making up the Trend Indicator; that is, you take the quoted price of the stock after selling ex-dividend, just the same as before. In case a stock should sell ex-dividend 10 points or more, it is necessary to bear this fact in mind and make a memorandum of it on your Trend Indicator. But a dividend of one point makes a difference of only 1/10 of a point on your Trend Indicator, so that it may usually be disregarded.

Money Market Statistics.

I have a copy of Prof. Norton's "Statistical Studies of the New York Money Market." Has Mr. Norton written anything of the kind since, or is there a continuation of the statistics along the line he followed in this book?—R. D.

We do not know of any book which completes these statistics in exactly the form in which gives them. We would, however, call your attention to the series of articles entitled "What Makes the Market," in THE TICKER from January to May, 1911, inclusive. Several of these articles cover a similar kind of statistics. We would also suggest that you read "The Purchasing Power of Money," by Irving Fisher. This book contains a great many interesting statistics on money and banking, and comes closer down to date than Professor Norton's book.

Hedging of Investments.

In your April magazine is a good article on "Hedging of Investments." As the "long pull" only appeals to me I like the article and would especially appreciate it if you would name two stocks that seem favorable for that purpose at the present time.—F. W.

It would be impossible at present for us to undertake the recommending of specific investments to individual subscribers. In some cases where an investor wishes to consult with us in regard to the placing of his capital, we have made a special charge of $25 for this service. If you have our "Trend Letter" regularly, however, you will get from it a very good idea of how to handle investments to the best advantage. In regard to the hedging of investments, in an early number of our magazine we shall pursue this subject further, and we will probably discuss a number of stocks with a view to the application of this plan.

Market Leaders.

Will you kindly give me the names of the market leaders—those that were the most frequent leaders last year?—J. S.

The leading stocks in the market differ from time to time according to conditions. Generally that stock will be the leader on which the largest public following can be obtained, either as a result of special news on that stock, large earnings or popularity with the public. The six most influential stocks, taking one year with another for some time past, have been: U. S. Steel, Union Pacific, Reading, Amalgamated Copper, American Smelting and St. Paul.

Continuous Quotations.

Is there any record kept anywhere showing the daily movements of stocks for past years, *just as they are reported on the ticker?*—L. B.

The only place to find records approaching those you desire would be in the files of *The Wall Street Journal*, which can be obtained at any of the big libraries in New York and elsewhere. You cannot get the record just as the prices come out on the ticker, no permanent record being made of these quotations, so far as we are aware. The continuous quotations as published in the New York *Evening Sun* are well arranged for study, but it is difficult to find a complete file of the *Evening Sun.*

Books on Short Selling.

J. B.—In regard to books explaining short selling, we would recommend the "A B C of Wall Street" and "A B C of Stock Speculation," which cost only 66 cents, each, postpaid, and are very satisfactory little books. They give you as much explanation about short selling as any book we are familiar with. In bound volumes of THE MAGAZINE OF WALL STREET you will find this subject discussed in many articles and inquiries. There is generally something about it every few months.

Tape Reading.

W. R.—The only practical way to learn tape reading is to install a ticker in your office and follow the tape from hour to hour. The best substitute for this is the continuous quotations as published in the New York *Evening Sun* daily, but these quotations are not an exact transcript of the tape. For example, the tape may show five lots of Union Pacific, 200 shares each, all at the same price, coming out at intervals of one to ten minutes. This would appear in the *Evening Sun* merely as 1,000 shares of Union Pacific at one price.

The principal difficulty in trying to study tape reading from quotations as printed in the newspapers is that you do not know the time which elapses between quotations. Often the market may remain practically stationary during the first three-quarters of any hour's trading, with only a few quotations coming out, and then may show great activity during the last fifteen minutes of the hour. You have no way of seeing this from the newspaper quotations.

Detecting Accumulation.

I make a Ten-Rail Trend Chart—highs, lows, opening, closing and average centre of the following stocks: Atch. com., Can. Pac., St. Paul, Erie, Mo. Pac., N. Y. Cent., Penn., Rdg. com., Sou. Pac., and U. P. Still I was unable to detect accumulation of stocks from it during the month of February, 1912. I should be pleased if you could make any suggestions.—T. M.

We have examined several Trend Indicators comprising 10 Rails, 25 Rails, etc. The stocks used differ somewhat from your list, but we see no reason why the results should show any important differences. Taking the 10-Rail chart, accumulation was shown between February 1 and February 27. During that period the market fluctuated within very narrow limits, the bottom of each small decline was a little higher than the preceding bottom, the market grew gradually narrower and the transactions smaller throughout the entire period, and finally came almost to a dead standstill with transactions of 207,000 and 172,000 shares respectively on the 26th and 27th. The condition of the market thus shown, indicated an advance. There was a sharp upward movement of prices on February 28, and on March 1 the averages broke out on the up side of the rut in which they had been fluctuating for a month.

Stock Transfer Tax—Interest Rates.

May I trouble you to advise me the amount of commission due a New York Stock Exchange broker for buying and selling mining stocks listed on Boston Stock Exchange?

Also, is the N. Y. State tax of $2 per 100 shares payable on above transactions?

I notice in broker's statements they add ⅛ for commission buying, then on the extension of transaction they charge interest on the commission, which to me seems wrong. I should think they would charge interest on the value of stock purchased—then make a separate charge for commission.

Do you think 6 per cent. is a rather steep charge for interest, as call rates are less than 3 per cent?—J. B.

Commissions on the Boston Stock Exchange are given on page 91, Volume 8, of THE MAGAZINE OF WALL STREET.

The New York State tax is applied only to transactions made in the State of New York. It does not apply to purchases made on the Boston Stock Exchange by a New York broker.

The broker is correct in charging you interest on the one-eighth commission paid him for buying your stocks. The commission was due him as soon as the purchase was made. Consequently, it is charged against you just like the cost of the stock, and bears the same interest rate as all other items on that side of the account.

Six per cent. would be a rather high interest rate when call loans are at 3 per cent., but Boston Coppers are always carried at a higher rate than the average railway or industrial stocks.

Figuring Interest.

E. H.—A simple method of figuring interest which is used by all brokerage houses, is known as the Sixty Day Method: Take any amount you like and move the decimal point two places to the left and it gives you sixty days at 6 per cent. Move it three places to the left and you have six days interest at 6 per cent. With these two as a basis, you can easily calculate the interest items of from one to sixty days; viz:

30 days is half of sixty days.

27 days would be 30 days less one-tenth.

20 days a third of 60 days.

18 days a third of 60 days less a tenth, or three times six days.

7 days would be six days plus a sixth.

9 days 1½ times 6 days, etc.

Allis-Chalmers.

Pleaes advise me whether or not you consider it advisable to meet the assessment on the preferred stock on the Allis-Chalmers Company, and why. Would it not be better to avoid the assessment by purchasing new stock "when issued?"—R. A.

The present price of the old preferred is 6. The new preferred is selling on the curb at 62, and the new common at 15. At these prices they are practically at a parity, as follows:

100 old preferred would cost	$600
Assessment	2,000
Total	$2,600

For the above certificate you would receive, after the payment of the assessment, the following:

20 new preferred worth 62	$1,240
90 new common worth 15	1,350
Total	$2,590

From the above you will see that at present prices it makes little or no difference whether you buy the old or the new securities. There is an advantage, however, in buying the old and paying the assessment, inasmuch as only 10 per cent. of this assessment is payable May 1, and the balance *on or after October 1 as called.* Thus you have the use of 90 per cent. of your assessment money in the meantime.

BOOK REVIEWS

Stock Prices; Factors in Their Rise and Fall. By Frederick Drew Bond. (Moody's.) Illustrated with charts. Cloth. Price, $1.06, postpaid. (For sale by Ticker Pub. Co.)

An explanation and discussion of the fundamental and technical factors of trading in the security markets, by a man who has spent the greater part of his life in important positions in investment houses in New York and Philadelphia, and who has long been known as a practical writer upon financial topics.

Contents: I. The Distribution of Securities. II. Factors of Share Prices. III. The Trend of the Market. IV. The Priority of Stock Prices. V. The Banks and the Stock Exchange. VI. The Floating Supply. VII. Manipulation. VIII. Rising and Falling Markets. IX. The Distribution of Profit and Loss in the Market. X. The Psychology of Speculation.

Stocks and Pig Iron.

Alexander & Company, 41 Wall Street, have issued an interesting market letter, showing a chart of pig iron production, prices and the stock market fluctuations since 1900. The production of pig iron is regarded as a barometer of business activity and stock market values.

Continuous Quotations

OWING to the fact that newspaper mail is often carelessly handled by the post office department, we find that many of our subscribers are unable to procure papers containing the continuous quotations, with any certainty or regularity.

To aid our subscribers in overcoming this difficulty, we will tear off and mail under first-class postage the quotation page of the New York *Evening Sun,* to any address, daily at a cost of $1.50 per month. This is as near the actual cost to us as we can figure, and we cannot do this for any one except regular subscribers to THE MAGAZINE OF WALL STREET or the "Trend Letter."

Readers frequently ask to be referred to responsible brokerage houses. In making such a request, please state what amount you have for investment, or in what sized lots you wish to deal. Also state what large city is located most conveniently to you, or if you have any preference in this regard.

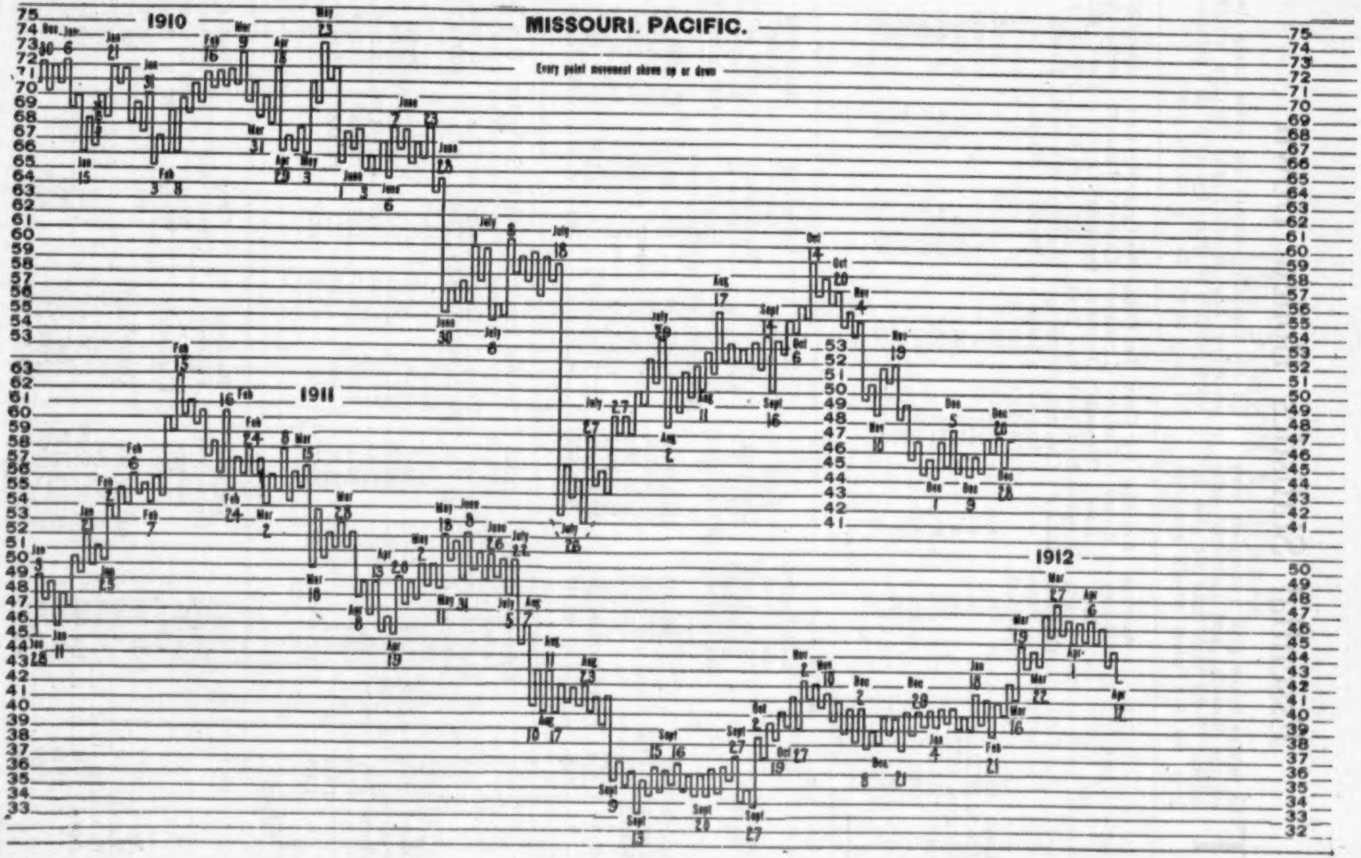
We refer our readers only to such houses as we would consider safe custodians of our own funds, but of course can take no further responsibility.

The Figure Chart

The following figure chart completes the chart on page 108 of the July, 1910, TICKER down to date given below. It is based on the daily average closing bid price of 20 standard railway stocks, and gives a general view of the course of the market since June, 1910:

June 22, 1910.			July 27.		Aug. 17.			Oct. 18.			Feb. 20, 1911.			June 7.					Sept. 27.			Nov. 23.					Apr. 20, 1912.
														23	23	23											
														22	22	22	22										
														21			21									21	
														20			20									20	20
19*											19			19			19					19				19	
18	18							18			18	18	18	18			18				18	18	18			18	
17	17							17	17		17	17	17	17			17				17	17	17	17	17	17	
16	16							16	16		16	16					16	16			16		16	16	16	16	
15	15				15			15	15		15						15	15			15				15		
	14				14	14		14	14	14	14							14	14	14	14						
	13	13			13	13		13	13	13	13							13	13	13	13						
	12	12	12		12	12	12	12	12										12	12							
	11		11		11	11	11												11	11							
			10	10	10														10								
			09	09	09																						
			08	08																							
			07	07																							
			06																								

*100 is subtracted from each figure in order to condense the chart. Thus 19 represents 119, etc.


MISSOURI. PACIFIC.
Every point movement shown up or down
1910
1911
1912

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation. Under each head we give figures for the *latest* month available, for the preceding month (in some cases the preceding *two* months), and for the month corresponding to *latest figures* in each column, for each of the four preceding years.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks	Per Cent. Cash to Deposits, New York Clearing-house Banks.	Per Cent. Loans to Deposits, New York Clearing-house Banks.	Per Cent. Cash to Deposits, All National Banks.	Per Cent. Loans to Deposits, All National Banks.	Money in Circulation Per Capita First of Month.
April, 1912	4⅛	4⅛	25.2	98.8	.....	.....	$34.45
March, 1912	4⅛	4	26.1	97.6	.....	.....	34.53
February, 1912	3⅝	4	27.4	95.2	103.6	16.9	34.61
April, 1911	3⅝	3⅛	27.3	96.8	105.3*	17.1*	34.53
" 1910	4¼	3⅝	25.8	100.9	104.5*	16.0*	34.87
" 1909	3¼	3	25.9	97.4	103.6†	18.3†	34.85
" 1908	5½	3¼	29.0	96.6	108.4†	19.2†	35.35

*March. †February.

	New Securities Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City. (000 omitted)	Balance of Gold Movements—Imports or Exports. (000 omitted)		Balance of Trade Imps. or Exports. (000 omitted)	
March, 1912	$63,583	$14,520,184	$6,103,230	Ex.	$3,118	Ex.	$48,708
February, 1912	110,555	12,968,634	5,655,985	Ex.	7,652	Ex.	64,630
March, 1911	148,620	13,451,984	5,830,388	Im.	3,613	Ex.	22,891
" 1910	525,821	15,053,917	6,007,733	Im.	2,558	Im.	19,341
" 1909	124,655	12,623,772	5,136,934	Ex.	16,090	Ex.	6,417
" 1908	69,317	9,788,960	4,287,919	Im.	2,202	Ex.	52,474

	Gibson's Index Cost of Living.	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.	Wholesale Price of Pig Iron.	Produc'n of Iron (Tons.) (000 o'td.)	Price of Copper (Cents).	U. S. Production of Copper (Lbs.) (000 o'td.)	U. S. St'l Co. Unfill. Tonnage (000 o'td.)
April, 1912	120.3	9.10	2791	$15.50	....	14.5	......	.....
March, 1912	115.7	8.90	2667	15.30	2,405	14.7	125,694	5,304
February, 1912	112.2	8.96	2613	15.13	2,100	14.1	116,035	5,454
April, 1911	106.2	8.52	2536	15.73	2,188*	12.0	130,532*	3,447*
" 1910	119.7	9.19	2414	18.05	2,617*	12.7	120,000*	5,402*
" 1909	110.7	8.31	2176	15.99	1,832*	12.5	117,000*	3,542*
" 1908	105.4	8.06	2263	18.06	1,228*	12.7	.....	3,765*

*March.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures. Total Liabilities.	Crop Conditions. Winter Wheat.	Babson's Average 10 Leading R. R. Bonds.
April, 1912	18,708	....	....	80.6	98.0
March, 1912	7,842	$49,666,896	$19,827,060	...	98.2
February, 1912	32,581	31,303,094	18,253,558	...	98.5
April, 1911	194,887	51,022,522*	17,371,631*	83.3	98.4
" 1910	25,886	60,845,215*	12,475,450*	80.8	98.5
" 1909	296,201	61,577,000*	12,660,238*	82.2	102.1
" 1908	305,979	27,934,000*	20,299,568*	91.3	94.0

*March.

The Market Outlook

Some of the Factors Beneath the Surface of Current Events

By G. C. SELDEN

THE general course of railroad stocks for ten years is shown in chart form below. The last week given is that ending April 20, 1912.

The diagram also shows, in millions of dollars, the course of excess deposits and surplus reserves of New York clearinghouse banks (excluding the trust companies). The zero line represents equality of loans and deposits.

The Rise in Prices.—Far the most important of current tendencies, in its effect on business and investment conditions, is the continued rise in prices of commodities. Gibson's Index Number, showing the cost of living, for the date of April 13, was 120.3, which is the highest point reached for a quarter of a century. This means that average prices of the various articles which enter into consumption, have reached a new high point. To permit wage earners and salaried employees to meet their current expenses, higher wages and higher salaries are necessary. People whose income comes from investments in bonds are obliged to get a higher interest rate in order to maintain their past standard of living. The profits of business enterprises in which the price of the finished product has thus risen, are abnormally increased by the rise in the value of all goods on hand. Thus the higher prices keep traveling in a circle.

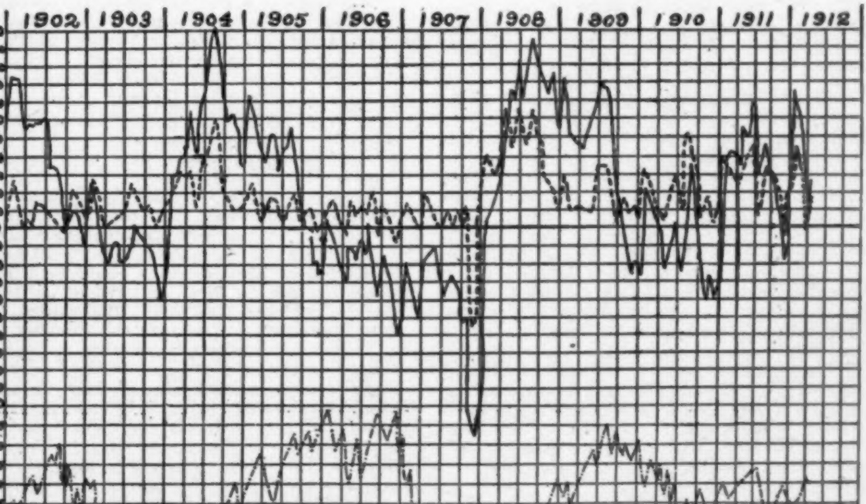
There are some considerations connected with this advance in prices which have been touched upon but little, if at all, in financial publications. Take the relation between bank clearings, railroad earnings and commodity prices.

Bank clearings for the United States outside of New York City (New York being omitted because of the predominance of Stock Exchange transactions in its clearings) were $6,103,000,000 for March, 1912, compared with $5,830,000,000 for March, 1911—a gain of 4.7%.

Gross earnings of 47 railroads for March, 1912, were $68,404,000 against $64,701,000 for March, 1911—a gain of 5.7%.

But Gibson's Index Number for March, 1912, was 115.7, compared with 107.5 for March, 1911—an increase of 7.6%.

Now both bank clearings and railroad



—— Excess Deposits. ------ Surplus Reserves. —·—·—·— Stock Averages.

earnings, which are the two common methods of estimating business activity, are measured in money. But this rise in commodity prices, as indicated by the index numbers, shows clearly that the purchasing power of money has rapidly declined within the past year—in fact, it has declined considerably more than the volume of business has increased, as measured by clearings and railroad earnings. The railroads, for example, are earning more, measured in money; but less, measured in cost of living.

The Gibson figure for April is still higher —120.3, against 115.7 for March, a gain of 13.3% over April, 1911. Such an advance, in view of the high level from which it started, is really startling. So far as the gain depends on gold production, there seems to be a little probability of any important declining tendency in the early future. The Rand gold production for March was 830,732 ounces, compared with 676,065 ounces for March, 1911. For the first quarter of 1912, the Rand gold production was 17.2% above 1911, and 35% above 1910.

I think there can be no question that increase in gold production is the fundamental cause of the world-wide rise in prices. Its influence is indirect and very gradual, and can only be measured over a long period of years; other factors may, in the meantime, counterbalance the effect of gold production so as to cause a temporary, or even somewhat prolonged, downward movement of prices; but eventually its effect must be felt. There is no other logical way to look at it, and this view is gaining wider and wider acceptance among careful students of the subject.

Higher Wages.—The natural result of increased cost of living is demands on every side for higher wages. It is not generally known, for example, that wages in the printing trades in New York City have been advanced several times within the past year, and that a schedule of further gradual advances has been laid out by the unions covering several years to come. This forces printing houses to raise prices on their product. In some cases the purchaser of the printed matter can also raise his selling prices, but in many cases he cannot.

The demands on the part of the railroad engineers, coal miners, mill operators, etc., all have the same basis, and this is, of course, the principal reason why nearly all recent strikes have been successful in obtaining a higher compensation for employees.

In Germany.—The same condition of things exists abroad. In Germany, for example, recent statistics show that thirty-nine different articles rose in price 14.6% during the past year. However, in Germany, the gain in clearings was about 24%, showing that the activity of business there has grown faster than the increase in prices. As is generally known, the German situation has been somewhat strained, and speculation has been very active there, resulting in the borrowing of a part of the New York banks' surplus capital on hand.

Bond Prices.—Surprise is expressed in many quarters at the failure of high grade long term bonds to rise in price with the bull stock market of the past two months. The key to this situation is found in the rise in commodity prices and in the cost of living. The bond is payable at expiration in dollars; and the dollar has been declining in value, or purchasing power, continually for some years, and very sharply during the past few months. This means that, although the bondholder will get back at maturity the exact number of dollars that he invested, those dollars will be worth less to him because they will buy less. How bonds can be expected to show any continued or important advance in prices while commodity prices are constantly reaching new high levels, is a mystery to those who consider the situation in all its bearings. Before the general trend of bond prices can be reversed, we must have at least a cessation in the upward movement of commodity prices.

"Special Deposits."—Referring further to the German situation, an important point not generally understood, is that loans by New York banks to Europe are usually reported in the bank statements not under the head of loans, but of "special deposits." For this reason, the total of New York bank loans has not appeared at its true figure in recent bank statements. Again, when these loans are repaid, the result is to increase the regular deposits of the New York banks by the transfer of this amount from the heading "special deposits." This increase in deposits, of course, requires an increase in reserves.

The statement has frequently been made in financial columns that the New York banks not only had a large surplus of cash of their own, but also had about $100,000,000 loaned in Europe which could be withdrawn for use at New York when needed. The above facts show that the return of these loans will not enlarge the capacity of th New York banks for granting domestic loans.

Our credit balance abroad has already been considerably reduced by the process of borrowing in London the capital necessary to carry an increased speculative account in New York. I see no reason, therefore, for modifying the opinion previously expressed that higher money rates are practically a certainty within the year.

Where Will It Stop?—We may well ask ourselves where this continuous process, by which each man keeps putting up prices on the next fellow around and around in a circle, is going to land us. It is a merry game while it lasts, but it cannot last indefinitely.